

FOR BIDDING PURPOSES ONLY



**Management B8518 – Fall 2019
Foundations of Entrepreneurship**

Location: TBD

Tuesday

2:15 – 5:30pm

Damon J. Phillips

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TA: TBD

INSTRUCTOR BIO

Damon J. Phillips, the Lambert Family Professor of Social Enterprise, has been at CBS since 2011 and taught at Chicago Booth from 1998–2011. His background is in tech manufacturing with a focus on entrepreneurship, social ventures, organizational change, and innovation. Before academia, he was an engineer working on R&D, and also helped to run a family tech manufacturing business. Among his research projects is a study on whether entrepreneurs with MBAs behave and perform differently than non-MBA entrepreneurs. Phillips sit on boards and advises founders as well as those considering employment in new ventures. He has degrees in physics (BS, Morehouse), engineering (SM, MIT), sociology (MA, Stanford), and business (PhD, Stanford).

COURSE DESCRIPTION

Interest in entrepreneurship has skyrocketed. The availability of cheaper building blocks has led to an increase in startups, which have become exciting opportunities for potential founders, early employees, and investors. Indeed, much of the growth in economies is driven by scalable startups. Social entrepreneurs are also employing entrepreneurial thinking to address major societal challenges. Finally, established organizations are aggressively investing in fostering entrepreneurial thinking and innovativeness. In short, entrepreneurial thinking is sought across industries and sectors.

The mission of *Foundations of Entrepreneurship* is to expose MBA students to the skills, joys, and challenges of entrepreneurs—and for some, to prepare you to start and nurture your own business. We will work together to develop your skills in opportunity evaluation, as well as an understanding of the steps and competencies required to launch a new business. Specific topics include characteristics of successful startups, techniques for finding and evaluating new ideas, customer acquisition, entrepreneurial finance, valuation and deal making, forming and maintaining effective partnerships, buying and selling a business, family business dynamics, and learning how to pitch. The class is appropriate for those with an interest in the unique challenges and opportunities associated with new ventures—this includes potential entrepreneurs, those interested in the financing of new ventures, future employees of new ventures, or those interested in the management of new or small organizations more generally.

I am looking forward to seeing you in class.

Foundations of Entrepreneurship answers the following questions:

- How do I distinguish interesting ideas from real opportunities?
- How do I go from a real opportunity to a winning business model?
- How do I turn a winning business model into a successful venture?
- What do I need to consider when seeking funding? How can I start a venture if I have educational debt?
- What can I do to maximize the success of a venture?
- What is perspective of co-founders, employees and investors?

Your ability to answer many of these questions will emerge from a focus on foundational skills. Some examples are:

- Using a framework to identify and refine entrepreneurial ideas and understand how those ideas relate to core elements of a business.
- Looking at different business models and working through breakeven analysis, cash flow, and other key financial metrics.
- Better identifying early customers to gain and embrace their feedback.
- Constructing founder agreements to minimize tensions that often tear founders apart.
- Learning how to pitch ideas to investors, partners, and potential employees.
- Understanding the different sources of financing and when each one is appropriate.
- Determining the value of new businesses at various stages of development.
- Knowing when and how to exit.

HOW THIS COURSE DIFFERS FROM OTHER ENTREPRENEURSHIP COURSES AT CBS

Columbia Business School's entrepreneurship curriculum is organized around a sequence of three "spine" courses: (1) **Foundations of Entrepreneurship**; (2) **Launch Your Startup**; and (3) **Entrepreneurial Greenhouse**.

Foundations of Entrepreneurship serves as the gateway course to the entrepreneurship curriculum at CBS, and is a prerequisite for those interested in enrolling in **Launch Your Startup**. It provides a broad survey of concepts and concrete skills that benefit not just aspiring entrepreneurs, but also those who want to invest in new ventures and/or work for a startup. **Foundations of Entrepreneurship** is especially appropriate for students who (a) have limited or no experience in the startup world, or (b) have some experience but do not yet have a fully developed and vetted business idea or team.

Launch Your Startup is an accelerated, applied class for students who are already actively engaged with their target market, ready to advance their customer discovery and market research, design and test minimum viable products (MVP's), develop customer acquisition strategy, and prepare investor-ready financials for fundraising.

EXEMPTION PROTOCOL

If you believe that you should be enrolled in **Launch Your Startup** without having to take **Foundations of Entrepreneurship**, please complete the following exemption survey - <http://bit.ly/entrepreneurwaiver>. Your request should be brief but specific, including relevant background information (e.g., entrepreneurship coursework and work experience) and any progress you've made on your idea to date (e.g., customer discovery). Please allow at least one week for a response, as your request may require deliberations among faculty.

NOTE: Following school policy, students MAY NOT enroll in Foundations of Entrepreneurship and Launch Your Startup concurrently.

For those who already have an MVP with a committed (and vetted) team, then seek out the **Entrepreneurial Greenhouse** which is designed as an accelerator.

There are other courses at Columbia that may have 10-15% overlap with this Foundations course. For example, if your interest is in a deep understanding of the customer development process, you should consider **Lean Launch Pad**, which focuses on business model hypothesis testing. If you are primarily interested in deal structure, consider **Entrepreneurial Finance**.

COURSE REQUIREMENTS

There is a course packet for this course. Some additional readings may be distributed in class. There is no textbook for this course.

There are three requirements for the **Foundations of Entrepreneurship** course: [1] case quizzes for (almost) every class, [2] class participation, and [3] team project and final paper.

1. Weekly Case Quizzes:

For each session you are required to complete an online multiple choice quiz (on Canvas) that is composed of a set of questions related to the case. Submissions are due by 11:00 PM on the evening before each class meets. The aggregated quiz answers are often discussed during the class. You may discuss the case with your classmates, but your quiz answers must be based upon your own careful analysis. Some quiz questions are subjective, while others have correct answers. If you complete the quizzes you will get full marks (regardless of whether you were correct) provided that you indicate your answers were based upon your own careful analysis (per the honor code).

2. Class Participation:

I enjoy pouring myself into this class, however, the class experience works best when everyone comes to participate and engage. Participation is a very important part of the learning process in this course, so it is accordingly an important part of your grade. So come to class each session, and come ready to engage. The more you put in, the more you will get out!

Your participation will be evaluated on your constructive contributions to class discussion and learning. It requires listening attentively and building on what peers have already shared. A positive contribution to class or team discussion exhibits one or more of the following properties:

1. Moves the discussion and analysis forward to inspire new insights among peers.
2. Shares a personal experience in a way that illuminates the ideas being discussed.
3. Uses logic, creativity, insights, and evidence; more than merely an opinion or feeling.

Expect cold calls. Your contributions will be evaluated on quality and quantity, with greater weight on quality. If you are not in the classroom, you obviously cannot participate. We understand that because of factors outside of your control, you occasionally may arrive late, leave early, or miss a class entirely. 2 points will be deducted for each unexcused absence. Two excused absences are permitted, but **only if you notify the TA at least 24 hrs in advance.**

There is a “no devices” policy. Please leave your phones/tablets/computers off. There are two exceptions, Sessions 6 & 7, when we do simulations. Other than these occasions, turn off all laptops, cell phones, blackberries, wireless connections, and any other electronic devices during class time unless you ask us for permission 24 hours in advance. Violations of this rule will lead to deductions from your class participation grade.

Finally, make it a priority to be on time. Please sit in the same seat for each session, and bring your name cards to every class.

3. Final Presentation and Paper

Early in the semester students you will need to form self-selected teams (of 3 – 5 students) to explore an idea for a new business. At the end of the semester each team will make a 7-minute final presentation of their project followed by Q & A. For the presentation, teams will prepare a 10 to 12-slide investor power point pitch. A final paper is also required. The paper is a maximum of eight single-spaced pages (12-point font), plus five appendices (see details below). Both the paper and the presentation are to be handed in on the last day of class. You will work on several components of the final project during the term as there are deadlines throughout the term to keep you on track.

Each team is expected to meet with me for ½ hour in early October to discuss their projects. I am available for two additional optional project-update meetings.

Your final will be graded along four dimensions: [1] the quality of the final idea and the entrepreneurial insight; [2] the learning and progress that has occurred throughout the semester; [3] the diligence with which you have executed the study; and [4] the quality of the pitch or presentation. I am looking for good (but not necessarily “ready-to-bring-to-market”) ideas that have been well-developed and iterated based on customer feedback, and that are also well-researched and presented. Keep in mind that the quality of your team’s final idea is not the only determinant of your final paper’s grade, and it is possible to receive a high grade even if the idea is not of the highest quality.

At the end of the semester when the final project is due, each student will also be asked to fill out an evaluation of their fellow team members, indicating the percentage that each member contributed to the final project. This will contribute to your final grade.

The main paper should address the following aspects of your proposed venture:

- Brief Description of the Opportunity
- Market and Customer Segments
- Product or Service and Value Proposition
- Competition and Competitive Insulation
- Key risks
- Timing and Financing

There are also five (5) appendices to augment your main paper:

Appendix 1:

The Business Model Canvas (BMC): which summarizes the key components of your business model (customers, value proposition, revenue streams, etc.). You will be asked to present drafts of your BMC in the 3rd or 4th week of the course.

Appendix 2:

Summarize, on two-three pages, what you learned about your venture idea from Customer Discovery, including market and value proposition analysis, along with brief summaries of interviews with at least fifteen named (not anonymous) strangers. Provide one short summary paragraph per interview. A stranger is someone you do not know, but have reason to believe has knowledge that will assist you in evaluating your idea. Important interviews with people previously known by you can also be included and can be valuable, but do not count towards the required fifteen interviews. These interviews can and should include: potential customers (including, if applicable, purchase decision makers, distributors, store buyers and end-users), suppliers, investors, people in similar businesses, experts, etc.

Appendix 3:

Provide a “simple” one-page breakeven analysis. Identify your economic unit of analysis (typically a single sale). Identify and list your venture’s important fixed costs, including amortized capital expenses. Determine selling price, variable costs and the marginal contribution from each sale. **Be certain to list all of your assumptions.** Divide fixed costs by marginal contribution to determine break-even. Calculate break even in terms of U.S. dollars and unit sales. After completing the analysis, assess and comment on the likelihood of your venture’s profitability.

Appendix 4:

Provide a cash flow analysis. Start by listing (1) all potential sources of income, loans and investments, (2) all major expenditures, including items that will be capitalized and amortized, and (3) the assumptions used to calculate your financials. Do this monthly, until your cash flow turns positive and then yearly starting in the following year. Leave yourself cash balance, as a cushion, at the end of each period equal to at least one or two months’ expenses. Remember to plug in the source and timing of equity investments and/or borrowings. Your cash flow should answer two questions:

- 1) In what month are you cash flow positive?
- 2) In what month do you recoup your total investment?

For the 9th class of this course your team will need to turn in your main cash flow assumptions for your venture’s financial model. These assumptions will assist you in the completion of your final project.

Appendix 5:

Create a to-do list for launching your proposed venture. For your to-do list, include a list of your organizational, development, production and sales goals and the tasks that need to be accomplished to achieve your goals. Describe the backgrounds and competencies of the full- and part-time team members and/or advisors you would need to recruit to ensure the successful completion of these tasks. Examples of necessary tasks, from the mundane to the sophisticated, not necessarily in order, might include: (1) Meeting with actual customers and securing orders; (2) Lining up possible distributors; (3) Lining up manufacturers and/or sources of supply; (4) Identifying and securing key personnel; (5) Finding and renting office space & equipment; (6) securing financing; (7) establishing key partnerships; (8) founder agreement/memorandum of understanding.

Please submit all assignments online through Canvas.

GRADING

The following weights will be used to calculate grades for the class:

Daily Online Quizzes.....	25%
Class Participation.....	35%
Final Paper and Presentation	40%

Class 1: Tuesday, September 3rd

Topics: Criteria for Venture Selection
Break-Even Analysis for Potential Founders

Case: PieSky Ventures

Deliverables: [1] Complete the pre-class survey in Canvas to help us understand your reasons for taking this class and submit a one-page resume.
[2] If you have a venture idea for a team project, be prepared to make a one-minute presentation of your idea.
[3] Read PieSky Ventures.
[4] Begin forming final project teams.

Class 2: Tuesday, September 10th

Topics: Applying Break-Even Analysis
Business Model Canvas

Case: R & R

Deliverables: [1] Read the R&R case and complete online quiz.¹
[2] Watch the Business Model Canvas (www.youtube.com/watch?v=RzkdJiax6Tw). There are multiple Business Model “Canvases”. We will be using a variant of the original Canvas. The video is 42 min.
[3] Fill in the Business Model Canvas Template while watching the video using the R&R case.
[4] Additional one-minute venture idea pitches.
[5] Continue to form final project teams.

Readings: [1] Marketing Analysis Toolkit: Breakeven Analysis
[2] Breakeven Analysis & Operating Leverage

Class 3: Tuesday, September 17th

Topics: Customer Metrics, Customer Acquisition Cost and Lifetime Value

Case: Dropbox

Deliverables: [1] Read Dropbox and complete online quiz.

¹ You may not have done the type of analysis asked for on a particular quiz. That is ok since (1) the quiz is graded on whether you complete it and not whether you are accurate and (2) we will cover the answers in class and go over the calculations. The most important thing is that you put forth a real effort.

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- [2] Submit on Canvas: P&L for Dropbox.
- [3] One-minute pitches will be continued and BMC presentations will start with teams 1, 2, 3, 4 & 5. Please upload your BMC to canvas the night before class.
- [4] Finalize project teams (if not finalized).
- [5] Submit names of 2 or 3 Crowdfunding business on at least 2 platforms.

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- Readings: [1] The Most Important Equation for Your Startup
[2] How Startups Can Build Effective Buyer Personas
[3] OPTIONAL - Understanding Customer Lifetime Value: A Non-Geek's Guide
[4] OPTIONAL - Startup Killer: The Cost of Customer Acquisition

Class 4: Tuesday, September 24th

Topics: Business Models
Bootstrapping and Startup Financing: Crowdfunding, Angels, and VC Investors
Student Presentations of Business Model Canvas: Teams 1, 2, 3, 4, & 5

Case: Zip Car

Guest Speaker: Anne Busquet (Golden Seeds)

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- Deliverables: [1] Read Zipcar and complete online quiz. In the quiz, submit a paragraph that provides the strongest argument Chase could make to a potential investor about the attractiveness of the venture.
[2] Teams 6, 7, 8, 9 & 10 prepare to make Business Model Canvas presentations. Please upload your BMC to canvas the night before class.
[3] Submit on Canvas: One-page description of your idea and team members.
[4] Schedule ½ hour team meetings with Professors for Wednesday Oct 2nd (10:00am – 3:00pm) and Thursday Oct 3rd (9:00am – noon).

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- Readings: [1] How to Design a Winning Business Model.
[2] What is Crowdfunding?
[3] What Initial Coin Offerings Are and Why VC Firms Care

Class 5: Tuesday, October 1st

Topics: Valuations, Term Sheets, and Founder vs Investor Control
Student Presentations of Business Model Canvas: Teams 6, 7, 8, 9, & 10

Case: DateMySchool
Logolaunch

Guest
Speaker: Carol A. Curley

Deliverables: [1] Read DateMySchool and Logolaunch, then complete online quiz.
[2] Teams 11, 12, 13, 14 & 15 prepare to make Business Model Canvas presentations.
Please upload your BMC to canvas the night before class.
[3] Review Startup Game Email and Register for the Simulation next class (Oct 8th).
Keep your roles private until we start the Simulation.

Readings: [1] The NVCA Termsheet (at nvca.org)
[2] Read glossary of venture investment terms at <https://fundersclub.com/learn/glossary/>
[3] OPTIONAL - Venture Capital Investment Terms - Comments to the NVCA Term Sheet.
[4] A schedule a ½ hour team meeting with Professor for either Wednesday, October 2nd or Thursday, October 3rd.

Wednesday, October 2nd (10am – 3pm) and Thursday, October 3rd (9am - noon). Required 1/2 hour team meeting with Professor

Class 6: Tuesday, October 8th

Topic: The Start-up Game: Founders, Key Hires, and Investors
Student Team Presentations of Business Model Canvas (if necessary)

Case: Simulation

Deliverables: [1] Bring computer for simulation game.
[2] Submit pre-game questions on Canvas.
[3] Submit on Canvas summary of 15 Customer Discovery Interviews & Refinement of Business Model Canvas

Readings: [1] Roles for Founders, Employee, or Investor (will be available online)
[2] Entrepreneurial Ecosystems

Class 7: Tuesday, October 29th

Topic: The Founding Teams and Family Businesses

Case: Negotiating Equity Splits at UpDown

Case: Jackson Cookware

Guest
Speaker: Rob Delman

Deliverable: [1] Read UpDown and prepare for your negotiation role (the negotiation assignment will be emailed prior to class).
[2] Read Jackson Cookware and complete online quiz.
[3] OPTIONAL - Schedule second ½ hour team meetings with Professors for Wednesday November 13th from 10a till 2pm.

Readings: [1] Assigned negotiation roles for Michael, Georg, OR Phuc.
[2] A Guide to Co-Founder Fit
[3] Co-founder Equity Split: A New Framework to Objectively Divide Startup Ownership and Get Back to Building a Business http://blog.gust.com/cofounder-equity-split-framework-objectively-divide-equity/?utm_source=launch-blog&utm_medium=post&utm_campaign=launch&utm_content=equity-101
[4] OPTIONAL Family-Business Governance: Boards of Directors, Family Councils, and Family Offices.

NO CLASS ON Tuesday, November 5th – ELECTION DAY

Class 8: Tuesday, November 12th

Entrepreneurial Values and Startup Culture

Case: Kalamata Capital

Deliverable: [1] Read Kalamata Capital and complete online quiz.

Reading: [1] 80% of your Culture is Your Founder
<http://firstround.com/review/80-of-Your-Culture-is-Your-Founder/>
[2] TBD

Wednesday, November 13th (10am-2pm) – Optional 1/2 hour team meeting with Professor

Class 9: Tuesday, November 19th

Topic: Social Ventures

Case: Leading the Social Venture Start-up: An Operational Crisis at Pigeonly

Deliverable: [1] Read Pigeonly case and complete online quiz.
[2] Submit names/websites of two social ventures which have returned or will have a return to their investors. Why did you list these ventures? What does “have a return to their investors” mean for the ventures you listed?
[3] For your Final Project: Submit one-page with the main cash flow assumptions of your team's financial business model.

Readings: None other than the cases.

Class 10: Tuesday, November 26th

Topic: Evaluating Tradeoffs and New Opportunities

Case: Aware Records

Guest
Speaker: Drew Silverstein (Amper Music)

Deliverable: [1] Read Aware Records and complete online quiz.

Class 11: Tuesday, December 3rd

Topic: Exits
How to Pitch to Investors and Handle the Q&A
Becoming a Founder: Integrating Lessons from Your CBS Experience

Guest
Panel: Panel of Recent Alumni Pursuing Entrepreneurship

Deliverable: [1] Be prepared to discuss the types of exits of R&R, Dropbox, Zipcar, UpDown, DateMySchool, Jackson Flatware, Building Watch, Pigeonly, Kalamata Capital, and Nantucket Nectars.
[2] Submit two questions that you would ask of a recent CBS alum who has become a founder within the past 18 months.

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- Reading:
- [1] Pitching 101: 10 Slides Investors Want to See (<https://www.slideshare.net/angelawlee/37-angels-10-slide-pitch-deck>)
 - [2] When it comes to closing the gender funding gap, there's no silver bullet. <https://pitchbook.com/news/articles/when-it-comes-to-closing-the-gender-funding-gap-theres-no-silver-bullet>
 - [3] OPTIONAL - If you wish, schedule a ½ hour team meeting with Professor for Wednesday December 5th from 11a till 2pm.
 - [4] OPTIONAL - LinkedIn Series B Pitch to Greylock (<http://www.reidhoffman.org/linkedin-pitch-to-greylock/>)
 - [5] OPTIONAL - How to Choose an Exit Strategy (<http://www.inc.com/guides/2010/10/how-to-choose-an-exit-strategy.html>)
 - [6] OPTIONAL - Exiting with Grace – and Profit (<http://informationdisplay.org/IDArchive/2014/JanuaryFebruary/VentureCapitalExitingwithGrace.aspx>)

Wednesday, December 5th (11am-2pm) – Optional 1/2 hour team meeting with Professor

Class 12: Tuesday, December 11th

Topic: Wrap-up and Final Presentations of Student Projects

Speakers: Students!

Deliverables: Submit on Canvas hard copies of final papers, power point presentations, and your individual evaluations of your fellow team members.