FOUNDATIONS OF ENTREPRENEURSHIP
(formerly known as Introduction to Venturing)

Management B8518
Spring 2020

Section 001
Wednesdays 9:00 – 12:15 PM
Location: Uris 332
TA: TBD

Section 002
Tuesdays 2:15 – 5:30 PM
Location: Uris 140
TA: TBD

Instructor: Michael Mauskapf
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ABOUT THE INSTRUCTOR

Michael Mauskapf is an Assistant Professor of Management at Columbia Business School, where he has taught ‘Foundations of Entrepreneurship’ in the full-time MBA program since 2017. Prof. Mauskapf studies the dynamics of creativity, innovation, and success in cultural markets. His research has been published in the American Sociological Review, Academy of Management Review, and the Academy of Management Best Paper Proceedings, and it has been featured in a number of popular press outlets, including ABC News, BBC News, The Economist, New York Post, NPR, and Quartz. Michael is a graduate of the University of Pennsylvania (B.A. in Music), the University of Michigan (M.A., Ph.D. in Musicology), and Northwestern University (Ph.D. in Management & Organizations). In addition to his research and teaching, he remains active as a performer, board member, and consultant in the entertainment and media sector.
COURSE DESCRIPTION

Interest in entrepreneurship has skyrocketed. Much of the growth in established and developing economies is driven by scalable startups. The digital transformation of our world, coupled with affordable access to technology and the automation of work, has led to an increase in startups, representing exciting opportunities for potential founders, early employees, and investors. Social entrepreneurs are also employing entrepreneurial thinking to address major societal challenges. Now more than ever, entrepreneurial thinking is a critical skill sought across sectors.

Foundations of Entrepreneurship serves as the gateway course to the entrepreneurship curriculum at CBS. The class is designed to provide a broad survey of concepts and skills that will benefit aspiring entrepreneurs, as well as students who want to work for a startup, operate entrepreneurially within a more mature organization, invest in new ventures, or some combination thereof. Each class session is devoted to a particular topic, which we cover through a combination of lecture, case-based, discussion, and in-class activities. Specific topics covered include: characteristics of successful startups and entrepreneurs; techniques for generating, identifying, and evaluating new ideas; forming and maintaining effective partnerships; customer discovery and acquisition; entrepreneurial finance, valuation and deal-making; entrepreneurship in international contexts; startup culture; exits; career tradeoffs; and learning how to pitch yourself and your business. Most class sessions also include a guest speaker, ranging from recent CBS alum entrepreneurs to high-profile VC's and angel investors. Over the course of the semester, students will work in teams to develop an idea for a new business, culminating in an end-of-term pitch and final paper.

In this course we seek to answer 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 an actual business (your venture)?
- What do I need to consider when seeking funding?
- What can I do to maximize success in my venture?
- What is the perspective of employees and investors?

Your ability to answer many of these questions will emerge from a focus on fundamental and 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 is most 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

This is the gateway to a sequence of three “spine” classes designed for students interested in entrepreneurship: (1) Foundations of Entrepreneurship; (2) Launch Your Startup; and (3) Entrepreneurial Greenhouse.

Foundations of Entrepreneurship provides a broad survey of concepts and concrete skills designed to benefit aspiring entrepreneurs, as well as those who want to work for an early-stage startup, operate entrepreneurially within a more mature organization, and/or invest in new ventures. While all are welcome, this course is designed for students who have limited-to-no experience in the startup ecosystem. If you want some exposure to the world of entrepreneurship and you’re not sure where to start, this course is for you.

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, develop customer acquisition strategy, and prepare investor-ready financials for fundraising.

Please note that Foundations of Entrepreneurship serves as a prerequisite Launch Your Startup. If you believe that you should be enrolled in Launch your Startup without having to take Foundations of Entrepreneurship, please complete the following course waiver 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.

Following school policy, students MAY NOT enroll in Foundations of Entrepreneurship and Launch Your Startup concurrently, and exemption waivers will be granted to full-time MBA students ONLY.

Students who already have a Minimum Viable Product (MVP) and a committed and vetted team can apply to enroll in Entrepreneurial Greenhouse, which is designed as an accelerator.

There are also a number of other great entrepreneurship courses offered at CBS, including: Foundations of Innovation, Foundations of VC, Lean Launch Pad, Think Bigger, and Entrepreneurial Strategy.

To learn more about these courses, visit our entrepreneurship course site and selection tool: https://www8.gsb.columbia.edu/entrepreneurship/student-resources/courses

COURSE MATERIALS AND REQUIREMENTS

All case materials and readings for this class will be posted to Canvas. Lecture slides and videos will be posted after each class session. There is no textbook.

There are three requirements for Foundations of Entrepreneurship: [1] simple case quizzes for (almost) every class; [2] class attendance and participation, including one group case presentation; and [3] a group project (including a pitch and final paper).
1. **Weekly Case Quizzes:**
   For each session that involves a case preparation, 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 midnight the evening before each class meets. The aggregated quiz answers are typically presented during the class discussion. You may discuss the case with your classmates, but your quiz answers must be based on 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 analysis (per the honor code).

2. **Class Attendance and Participation:**
   I promise to provide as complete and compelling a class experience as possible; however, this experience is maximized when everyone comes ready to participate and engage. Participation will be a very important part of the learning process in this course, so it will also constitute a significant portion of your final grade. Please plan to prepare for and attend 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 discussion and learning in the class. Participation 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.

   In addition to regular class participation, each of you will be asked to participate in one group case presentation during the semester. This is a commitment mechanism to ensure that a handful of students have thoroughly prepared the case for that week. **Note: this does not exempt other students from participating in discussion!!** It simply means that there will be a pre-assigned group of students who will help jumpstart the conversation each week.

   Your contributions will be evaluated on both quality and quantity. If you are not in the classroom, you obviously cannot participate. Attendance will be tracked by the course TA at the beginning of every class. One excused absence is permitted, but you must notify the Professor AND the TA in advance. Five points will be deducted from your final grade for each unexcused absence. Otherwise, we will adhere to the Core Class Attendance Policy.

   Finally, as with core courses, please make it a priority to come to class on time and be present, prepared, and ready to participate. Plan to sit in the same seat for each session, and bring your name cards to every class.

3. **Final Paper and Presentation**
   Early in the semester students will form self-selected groups of 3-to-5 students to explore and develop an idea for a new business. At the end of the semester each group will make a 10-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 should be a maximum of eight single-spaced pages (12-point font), plus five appendices (see details below). Both the paper and the power point are to be handed in on the last day of class.
Your paper 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 interesting (but not necessarily “ready-to-bring-to-market”) ideas that have been well developed and iterated based on customer discovery, and that are also well researched and presented. At the end of the semester, each student will also be asked to fill out an evaluation of their fellow group members, indicating the percentage that each member contributed to the final project. This will contribute to your final grade.

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

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

Each team is expected to meet with the professor at least twice during the semester to discuss their projects; I will also be available for up to two additional meetings with each team.

Appendix 1:
The Business Model Canvas, which summarizes the key components of your business model (customers, value proposition, revenue streams, etc.)

Appendix 2:
Summarize, in 2-3 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 to 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 “basic” one-page breakeven analysis. Identify your economic unit of analysis (typically a single sale). Identify and list all of your 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 your break-even point. Calculate this value in terms of U.S. dollars and unit sales. After completing the analysis, assess and comment on the likelihood of your venture being profitable.

Appendix 4:
Provide a cash flow analysis. Start by listing (1) all potential sources of income, loans and investments, (2) all 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 allow you to answer two questions:
1) In what month are you cash flow positive?
2) In what month do you recoup your total investment?

Appendix 5:
Create a “to-do list” for launching your proposed venture. This should include: a summary of your organizational, development, production, and sales goals, and the step-by-step tasks that need to be accomplished to achieve these goals. Describe the theoretical 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; and (8) coming up with a founder agreement.

Please submit all assignments online through Canvas.

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

- Weekly Online Quizzes...........................................20%
- Class Participation and Case Presentation...............40%
- Final Presentation and Paper...............................40%

To be transparent and help students understand how they are doing in the class, I will provide formal feedback at least twice during the semester.

**A Final Note Regarding the Use of Electronic Devices in Class**

There is a “no devices” policy in this class. Please turn off all laptops, cell phones, and any other electronic devices during class time unless you are asked to use them for a live polling exercise. Violations will lead to deductions from your class participation grade.
Class 1: Wednesday, January 29th

Topics:  Introductions  
Criteria for Venture Selection

Case:  PieSky Ventures

Deliverables:  [1] Complete the pre-class survey on Canvas to help me understand your reasons for taking this class; submit a one-page resume.  
[3] If you have a proposed venture idea for a group project, be prepared to deliver a one-minute presentation of your idea.

Class 2: Wednesday, February 5th

Topics:  Break-Even Analysis  
Ideas vs. Opportunities  
Business Model Canvas

Case:  R & R

Deliverables:  [1] Read the R&R case and complete online quiz.  

Readings:  [1] Predicting Startup Success  
[3] Breakeven Analysis & Operating Leverage

Class 3: Wednesday, February 12th

Topics:  Customer Discovery  
Customer Metrics: Customer Acquisition Cost and Lifetime Value

Case:  Dropbox

Deliverables:  [1] Read Dropbox and complete online quiz.  
[3] One-minute pitches will continue.

Readings:  [1] The Most Important Equation for Your Startup  

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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.
### Class 4: Wednesday, February 19th

**Topics:** Business Models  
Startup Financing: Crowdfunding, Angel, and VC Investors  

**Case:** Zipcar: Refining the Business Model  

**Guest Speaker:** Anne Busquet (Golden Seeds)  

**Deliverables:**  
1. Read Zipcar and complete online quiz.  
2. Finalize project teams (if not already finalized).  
3. Submit on Canvas: One-page description of your idea, along with a list of group members.  

**Readings:**  
1. How to Design a Winning Business Model.  
2. Crowdfunding of Small Entrepreneurial Ventures  

### Class 5: Wednesday, February 26th

**Topics:** Valuations, Term Sheets, and Founder vs Investor Control  
Student Presentations of Business Model Canvas  

**Cases:** Logolaunch  

**Guest Speaker:** Carol A. Curley (Golden Seeds)  

**Deliverables:**  
1. Read Logolaunch, then complete online quiz.  
2. Upload Business Model Canvas presentations to Canvas.  
3. Schedule ½ hour group meetings with Professor for week of March 11th.  
4. Review Startup Game Email and Register for Class 6 (March 6th) Simulation. 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. Comments to the NVCA Term Sheet (optional).  

### Class 6: Wednesday, March 4th

**Topic:** Entrepreneurial Ecosystems: Founders, Key Hires, and Investors  
Student Team Presentations of Business Model Canvas (if necessary)  

**Case:** Simulation: The Startup Game  

**Deliverables:**  
1. Sign-up and prepare for simulation.  
2. Bring computer for simulation game.
[3] Submit on Canvas summary of 15 Customer Discovery Interviews & Refinement of Business Model Canvas

Readings: [1] Roles for Founders, Employee, or Investor (to be passed out in class)

Week of March 11th - First 1/2 hour group meeting with Professor

Wednesday, March 11th – NO CLASS (EXAM WEEK FOR A-TERM)

Wednesday, March 18th – NO CLASS (SPRING BREAK)

Class 7: Wednesday, March 25th

Topic: Co-Founders and Founder Agreements
Case: Negotiating Equity Splits at UpDown

Deliverables: [1] Read UpDown and prepare for your negotiation role (the negotiation assignment will be emailed prior to class).
[2] Schedule ½ hour group meetings with Professor.


Class 8: Wednesday, April 1st

Topics: Partnerships (con’t)
International Ventures

Cases: Building Watch

Guest Speaker: Austin Cohen (FlexIt)

Deliverables: [1] Read Building Watch and complete online quiz.

Readings: NONE
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<th>Class 9: Wednesday, April 8&lt;sup&gt;th&lt;/sup&gt;</th>
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<tr>
<td>Topics: Family Business</td>
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<td>Social Ventures</td>
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<td>Cases: Jackson Cookware</td>
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<td>Leading the Social Venture Start-up: An Operational Crisis at Pigeonly</td>
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<td>Guest Speakers: TBA</td>
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<tr>
<td>Deliverables: [1] Read Jackson Cookware and complete online quiz.</td>
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<td>[2] Read An Operational Crisis at Pigeonly, and complete online quiz.</td>
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<td>[3] When the Social Mission Comes Before Making a Buck</td>
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<th>Class 10: Wednesday, April 15&lt;sup&gt;th&lt;/sup&gt;</th>
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<tr>
<td>Topics: Startup Cultures</td>
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<td>Exits</td>
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<td>Cases: Kalamata Capital</td>
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<td>Nantucket Nectars</td>
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<td>Guest Speakers: Steven Mandis (Kalamata Capital)</td>
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<td>Nick Crosthwaite/Chris Crawford (Spotify)</td>
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<td>Deliverables: [1] Read Kalamata Capital and complete online quiz.</td>
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<td>[2] Read Nantucket Nectars and complete online quiz.</td>
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<td>[3] Submit one-page with the main cash flow assumptions of your venture's financial business model.</td>
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<th>Class 11: Wednesday, April 22&lt;sup&gt;nd&lt;/sup&gt;</th>
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<tr>
<td>Topics: Learning How to Pitch Yourself &amp; Your Business; Career Tradeoffs</td>
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Cases: Taking the Road Less Traveled: Gregg Latterman and Aware Records

Guest Speaker: Gregg Latterman (Aware Records)
VC Panel (TBA)

Deliverable: [1] Read Aware Records and complete online quiz.
           [2] Take Entrepreneur “Personality” Quiz


**Class 12: Wednesday, April 29th:**

Topic: Wrap-up and Final Presentations of Student Projects

Speakers: Students!!

Deliverables: Upload final papers and powerpoint presentations to Canvas.

**CONGRATULATIONS!!**