



Course Title: Entrepreneurship
Course Number: MBA 295A

SYLLABUS

Course Purpose

This is a course about starting and growing a high potential business. Since the Haas School is principally about professionally managed businesses, the course focuses on businesses that are not intended to be small throughout their duration, but rather those businesses that with hard work and good luck can be expected to develop into large and complex enterprises. A key vehicle for this effort is the business plan. The plan helps the entrepreneur qualify the opportunity and attract support from others. It helps engage and energize the founding team, investors, strategic partners and vendors. An effective plan is a guide to managing the increasingly complex set of dynamics of a start-up by providing mileposts and indicating the resources that will be required to achieve them. Finally, it can provide a continuously updated set of standards against which to evaluate actual performance. Entrepreneurship is the core course in the Lester Center's curriculum and teaches the entire spectrum of entrepreneurial activity and skills through the team development of a business plan.

Objectives and Teaching Methods

Entrepreneurship provides you the opportunity to develop your own business plan as well as to read and evaluate many business plans, synopses and cases. At the completion of the course you will have a firm understanding of how to start a company and all of the issues that arise in the entrepreneurial process. Objectives for many of the sessions are listed separately in the course schedule section below.

The course uses the case teaching method augmented with experts from the business community who will visit class to discuss cases and their experiences. Many come in from out of town just for our class. A well-prepared and intellectually aggressive group of students will make the experience more enjoyable and more valuable for all. Preparation is critical to the success of the student in getting as much as possible from the course. Please read and evaluate the cases in the context they were written.

Deliverables and Requirements

The main requirement for the course will be a business plan on a venture of the student's choosing. Students will work together in teams of four to develop an idea for a new venture, research its potential, and perform the analysis to see required resources and timing. This work serves as the basis for two deliverables: a written business plan and an oral presentation to a panel of instructors, investors and business professionals. The oral presentation is typically a "pitch" for funding, delivered as would be required for venture capital or angel financing.

In addition to the business plan and the "deliverables" leading up to the business plan (see below), students are expected to be prepared to discuss in class the Study Questions listed at the end of many of the assigned readings in the text.

At two points during the semester, your team will prepare and present preliminary draft elements of your business plan. The purpose of the deliverables is to provide the instructors and the class the opportunity to give you feedback as your project evolves. In fairness to each team presentation time limits will be strictly enforced.

Deliverables

All assignments will be submitted both electronically and in hard copy. All electronic submissions should be addressed to Professors Engel and Danner with copies to Tamara Williamson. For the final business plan submission, six hard copies should be submitted in addition to the electronic version to facilitate distribution to the panel of judges.

Schedule of Business Plan Deliverables:

#	Class	Description	% of grade
1	Class 2	Student questionnaire-new venture ideas for project in class	-
2	Class 4	Preliminary identification of the concept for the business plan and team composition (2 pages max). Your posting should include: Business Product or Service Discipline Target Market Potential Scale Principal Resources Needed ABOUT THE TEAM: Names and one paragraph biographies of team members	-
3	Class 6	Preliminary draft of Opportunity section (5 pages max) of the Business Plan and supporting power points (4 max).	5%
	Class 7	Opportunity Section presentations, 5 minutes, 4 power point slides max.	5%
	Class 8	Opportunity Section presentations, 5 minutes, 4 power point slides max.	5%
4	Class 10	Preliminary draft of partial business plan (max 10 pages plus financial forecast) including opportunity assessment, marketing and customer acquisition and financial requirement elements of the plan. Draft plans should be supported by no more than 10 power point slides. Financial requirements analysis includes discussion as well as complete five year financial forecasts with supporting assumptions.	5%
	Class 11	Mid term in class presentations (10 minutes, 10 power point slides max.)	5%
5	Business Plan Competition	Three paragraph assessment of each of the finalists' business plan and presentation. What do you think of the opportunity? What did they do particularly well? What could have been better?	Incl in class part.
6	Class 15	Business plans due to instructors via e-mail, plus 6 physical copies at the Lester Center Office (F453) by 4 pm.	25%
	Class 15	Course Evaluations	-
7	Finals	Business Plan Oral Presentations – submit final set of PowerPoint deck	25%
8		Team Self Evaluations* via email	10%
		TOTAL	80%

Required Readings and Materials

The readings for this course are from three **Timmons and Spinelli: New Venture Creation** (hereafter sometimes referred to as *NVC*), and cases and readings which are available on Catalyst. Readings are classified as Required or Supplemental. Required readings form the basis of informed class discussion. The readings in *NVC* generally have discussion questions appended, which should help you prepare for class discussion. The Supplemental readings are identified for those who desire additional resources.

Activities Outside of Class

Attendance at the UC Berkeley Entrepreneurs' Forum is highly encouraged and may be a basis for class discussion from time to time. The schedule of the forum is noted on the detailed class schedule. Participation in the UC Berkeley Business Plan Competition is encouraged, but is not integrated into the class. Attendance at the Competition Finals is a wonderful opportunity to integrate lessons learned and **is required**. Observing and critiquing

the finalists will sharpen perceptions that may prove helpful in preparing of the final oral presentation of your business plan.

Evaluation and Grading

The course grade is based on the following:

Group exercise:	Business Plan (as per above)	80%
Individual:	Class participation, quality of case study preparation and U.C. Berkeley Business Plan Competition finalists' critique	<u>20%</u>
		<u>100%</u>

*The members of each student team will grade each other on the basis of each student's contribution to the business plan project as evaluated by his or her peers. Each student will then receive from 0 to 10 bonus points with the modal award being 5 points. The intention is to grade this in such a way that an exceptional contributor will receive enough points to raise the course grade. Similarly, a free rider will receive a reduced grade.

Schedule

Detailed Class Schedule

1 GETTING STARTED [Engel]

Learning Objectives:

- Gain an understanding of what 'high potential' entrepreneurship is and how the process works
- Gain a thorough understanding of course requirements
- Distribute questionnaire on student backgrounds and interests
- The business plan: Criteria, Oral Presentation as a Pitch

View *Start-up.com*, a film by Chris Hegedus and Jehane Niujaïm, distributed by Artisan Home Entertainment

Discussion Questions:

1. Correlate the film to the course syllabus. What key topics were addressed?
2. Given the times – What do you think of their opportunity assessment?
3. What are the key issues raised by the film? Prepare a brief list.

2 OPPORTUNITY RECOGNITION [Engel]

Recognizing and Evaluating Opportunities

Learning Objectives:

- Develop an understanding of criteria for evaluating business opportunities
- Develop a framework for opportunity assessment
- Evaluate a business proposal

Case: Intellipost, Inc. Business Plan

Discussion Questions:

- Describe and evaluate the core value proposition.
- Assuming you had reasonably attractive alternatives, would you choose to pursue this as part of the founding team? Why?
- Does this team have what it takes to achieve it? Strengths, weaknesses, remedial needs?
- What are the greatest hurdles to implementation, assuming a reasonable amount of capital is available?
- What would you do in the first 30-60 days?

Required Readings:

- Timmons, "The Entrepreneurial Revolution", Chap. 1, in New Venture Creation (NVC)
- Timmons, "The Entrepreneurial Process", Chap. 2 in NVC

Stevenson, “A Perspective on Entrepreneurship” in *The Entrepreneurial Venture (TEV)*
Bhide, “Developing Start-up Strategies” in *TEV*

Supplemental Readings:

Stevens and Gumpert “The Heart of Entrepreneurship”
Harrell, Inc. “Entrepreneurial Terror”
Timmons, “Myths About Entrepreneurs”
Brokaw, Inc. “Where Great Ideas Come From”
Kaplan, “Developing Ideas and Business Opportunities”, pp. 19-51 in Patterns of Entrepreneurship
View Start-up.com, a film by Chris Hegedus and Jehane Niujaïm, distributed by Artisan Home Entertainment

Deliverable: #1 student questionnaire: new venture ideas for class project

Berkeley Entrepreneurs Forum, (optional)

3 BUSINESS MODELS [Danner]
The Next BIG Thing – Evaluating Your Teams’ Ideas

Learning Objectives:

Sharpen understanding of Market dynamics and business opportunity
Understanding the implications of the Internet to business opportunity assessment
Evaluate when technologies have the opportunity to be ‘disruptive’

Case: Preview Travel

Required Readings: None

Timmons, “The Opportunity: Creating, Shaping, Recognizing, Seizing”, Chap. 3 in *NVC*
Timmons, “Screening Venture Opportunities”, Chap. 4 in *NVC*
Slywotsky, “Market Share is Dead”, Chap. 1 in *The Profit Zone*
Slywotsky, “the Profit Zone Handbook”, Chap. 15 in *The Profit Zone*

Supplemental Readings:

Gosh, “Making Sense of the Internet” in *TEV* [Instructors Note: Good Study questions]
Bhide, “The Questions Every Entrepreneur Must Answer” in *TEV*
Bhide, “How Entrepreneurs Craft Strategies that Work”
Andrews “The Concept of Corporate Strategy”
Ghemawat, “Sustainable Advantage”
Porter, Chapter 1, *Competitive Strategy*
Bhide, “The Road Well Traveled” in *TEV*

Deliverable #2: Preliminary identification of the concept for the business plan and team composition

4 BUSINESS MODELS [Engel]

Learning Objectives:

Explore different ways of approaching the ‘same’ business
Searching for ‘fit’ – Business model analysis

Case: Technology Data Corp.

Required Readings

Timmons, "Entrepreneur and the Continuing Internet Revolution", Chap. 5 in NVC
Timmons, "Franchising", Chap. 6 in NVC

Supplemental Readings:

HBS "Note on Business Model Analysis For The Entrepreneur"

5 MARKETING and POSITONING [Danner]

Learning Objectives:

Understand Customer Discovery and Validation
Understand How the Customer Development Process effects the business plan

Case: Bang Networks A&B

Required Readings:

Heinman and Sanchez, The New Strategic Selling, Chap. 1-5
Wilson, Guerilla Selling, p. 1-19

Supplemental Readings:

6 BUSINESS PLANS AND FINANCIAL REQUIREMENTS [Engel]

Learning Objectives:

Gain an understanding of the elements of the BP.
Understand the implications of Business Model on Financial Requirements.
Understand how to do financial requirements analysis, determining how much \$\$ your venture needs and when.

Cases: Truckit.now
NextTV

Discussion Questions:

Truckit.now

What are the most important elements of the Truckit.now business plan?
How much money does this venture require to achieve operating break-even?
What are the key drivers that affect the capital required? What are the key assumptions?
Which assumptions or key variables would you use in doing scenario of sensitivity analysis?
How much money do you recommend they raise in their first round of venture capital? Why?

NextTV

What do you think of the business opportunity?
What various business models can you identify for this opportunity?
Which business model do you think is best?
How much money do you think this venture will require?
How would you suggest they finance it?

Required Readings:

Timmons, "Resource Requirements", Chap. 11 in NVC
Timmons, "The Business Plan", Chap. 12 in NVC

Supplemental Reading:

Gumpert, "What is a Business Plan and Why Should I Write One?"
Sahlman, "Some Thoughts on Business Plans" in *TEV*

Rich & Gumpert, “How to Write a Winning Business Plan” in *TEV*
Stancill, “How Much Money Does Your New Venture Need?”
Sahlman, “The Financial Perspective: What Should Entrepreneurs Know?” in *TEV*

Deliverable #3: Preliminary draft of Opportunity section of the Business Plan and supporting power points

UC Berkeley Entrepreneurs Forum (*optional*)

7 THE ENTREPRENEURIAL TEAM: Assembling the Team [Danner]

Learning Objectives:

- Understand central issues about organizing a founding team
- Recruiting strategies for key hires in the early stages of new venture development
- Compensation design for new ventures
- Strategies for leveraging advisors and consultants

Guest Lecturer: Christopher Keene

Case: “Michigan Lighting”

Required Readings:

- Timmons, “The New Venture Team,” Chap. 9 in *NVC*
- Collins, “Who First, Then What”, Chap. 3

Supplemental Readings:

- R Reich, “Entrepreneurship Reconsidered: The Team as Hero” in *TEV*
- Timmons, “Compensation Incentives in High Potential Ventures”
- Timmons, “The New Venture Team”
- Collins, “On Effective and Ineffective Teams”

Opportunity Section presentations, 5 minutes, 4 power point slides max. [First set of teams]

8 Legal/IP/ Entity selection/Product Liability/Risks/Ethics [Danner]
, Fenwick and West

Learning Objectives:

- Understand the key legal issues of founding a business, protecting intellectual capital, having employees, dealing with contractors and service providers, leasing offices and equipment, and raising money

Case: Palm Computing (A)

Required Readings:

Supplemental Readings:

9 FINANCE: Building a financial Strategy [Engel]

Learning Objectives:

- How to build a financial strategy for a new venture
- Angel and alternative equity sources – gain an understanding of how it differs and works with institutional venture capital

Case: Neverfail

Required Readings:

- Timmons, “Entrepreneurial Finance”, Chap. 13 in NVC
- Timmons, “Obtaining Venture and Growth Capital”, Chap. 14 in NVC

Supplemental Readings:

- Bhide & Stevenson, “Attracting Stakeholders” in *TEV*
- Bhide, “Bootstrap Finance: The Art of Start-Ups” in *TEV*
- Salzman and Doerr, “The Venture Financing Process”

10 FINANCE: Venture Capital [Engel]

Learning Objectives:

- Venture capital and how it works – gain an understanding of the structure of the industry, attributes of appropriate investments, and expected rates of return.
- Develop strategies for incrementally building an appreciating equity base
- Understand how to structure an angel investor or Venture Capital deal

Case: Jon Hirschtick’s New Venture

Discussion Question:

- How should John structure the financing of his venture? How much money, when?
- How many rounds? What type of investors?

Required Readings:

- Timmons, “the Deal – Valuation, Structure and Negotiation”, Chap. 15 in NVC

Supplemental Readings:

- Case and O’Grady, “An Overview of Venture Capital”
- Bagley and Dauchy, “Venture Capital” in *TEV*

UC Berkeley Entrepreneurs Forum (optional)

11 MID-TERM PRESENTATIONS [Engel and Danner]

Mid term in class presentations (10 minutes, 10 power point slides max.)

Deliverable #4: Preliminary draft of partial business plan including opportunity assessment, marketing and customer acquisition and financial requirement elements of the plan.

12 EXIT AND HARVEST [Engel]

Learning Objectives:

- Gain an understanding of the process of going public
- Consider the benefits and detriments of achieving liquidity through sale or merger
- Gain an appreciation of an investors perspective of various liquidity alternatives

Cases: Amazon.com Going Public

Discussion Questions:

1. Why did Jeff Bezos choose books as an initial category for launching his new company?
2. What is the business model for Amazon.com? How does their business model differ from that of Barnes & Noble or Borders? How would you value Amazon.com?

3. Should Amazon.com go public? Why or why not?
4. What are the plausible scenarios for the period leading up to a final pricing meeting, which typically takes place the night before an IPO? How should management respond to these scenarios (e.g., is there a price below which Amazon.com should not go public?)
5. What should Joy Covey, the CFO do?

Required Readings:

Timmons, “The Harvest and Beyond”, Chap. 19 in NVC

Supplement Readings:

Bagley and Dauchy, “Going Public” in *TEV*

Sahlman, “Why Sane People Shouldn’t Serve on Public Boards” in *TEV*

Marver, “Planning the Business for a Future Initial Public Offering

13 FROM BUSINESS PLAN TO REALITY: A TALE OF TWO COMPANIES [Engel and Danner]

Learning Objectives

Understand how different business models and strategies get implemented

Consider the issues of women in leadership

Consider the unique circumstances of BioEntrepreneurship

Required Readings:

None

Supplemental Readings:

None

14 Managing Growth [Engel]

Learning Objectives:

Investigate how ethical questions effect entrepreneurial strategy and implementation

Understand the challenges of growing the entrepreneurial enterprise, from start-up through the complet entrepreneurial arc

Required Readings:

Timmons, “Personal Ethics and the Entrepreneur”, Chap. 10 in NVC

Timmons, “Managing Rapid Growth – Entrepreneurship Beyond Start-up”, Chap. 17 in NVC

Supplemental Readings:

Roberts, “The Challenge of Growth” in *TEV*

Bhidé, “Building the Self-Sustaining Firm” in *TEV*

Roberts, “Managing Transitions in the Growing Enterprise” in *TEV*

UC Berkeley Entrepreneurs Forum – UC Berkeley Business Plan Finals REQUIRED

15 DEVELOPING A PERSONAL ENTREPRENEURSHIP STRATEGY [Engel and Danner]

Class Mentors

Learning Objectives:

Integrate what we have learned about collaborating on an entrepreneurial team

Required Readings:

Timmons, “Crafting a Personal Entrepreneurial Strategy”, Chap. 20 in NVC

Course Evaluations

Deliverable #5: Business plans due to instructors via e-mail, plus 6 physical copies

16 Oral Presentations

Additional Information

Internet Tools

The class is augmented by two very useful web tools developing a class bulletin board to exchange ideas and a mail list to disseminate information.

Teaching Guide

Requirements

The two instructors team teach the course: Original instructors are Jerry Engel and John Danner. Additionally a Graduate student assistant is assigned. The Student Assistant should be chosen from students who have taken the course and can help as a coach and assist in understanding team and individual assignments. He will maintain the class roster, take daily attendance and note class participation. Students are also supported by access to business mentors, all of whom have extensive experience in new business creation. Each team will be designated a mentor, and should plan to make active use of this valuable resource. They will not maintain regular office hours, but each has committed to be available to meet with each of their teams a minimum of three times.

Instructor Biographies

Jerry Engel

Jerome Engel has been involved with the formation and start-up of technology related ventures for over twenty years. In 1980 he founded a division for Ernst & Young that specialized in assisting high potential start-ups, the Entrepreneurial Services Group. Accordingly, from 1980 through 1990 he served as the Partner in Charge of Entrepreneurial Services, specializing in consulting on capital formation, corporate strategy and management organization, with an emphasis in software and biotechnology. In 1990 Mr. Engel was appointed Ernst & Young's National Director of Capital Resources, where he directed the firm's efforts in raising capital for its emerging business clients nationwide. During his public accounting career he advised and helped many Bay Area ventures get established and become thriving publicly held companies, including; Broderbund Software, Autodesk, Fair Isaac Companies and Gene Labs. He also has assisted major corporations with strategic planning and new venture development.

In 1991 Mr. Engel joined the University of California at Berkeley to found the Lester Center for Entrepreneurship and Innovation. He serves as the Center's Executive Director and as Director of the Haas School's Entrepreneurship Program. Mr. Engel is an Adjunct Professor and lectures in the MBA program of the Haas School of Business on entrepreneurship, venture capital and new venture finance. Mr. Engel also leads executive education programs at the Haas School and serves on the Educational Advisory Board of the Kauffman Fellows Program. He is the recipient of the Price Educators Award for outstanding teaching in entrepreneurship.

Mr. Engel serves on the Board of Directors or Advisors of several privately held entrepreneurial ventures. Directorships include MedAmerca, Inc. a physician management service company, ElectraScan, Inc., the developer of a proprietary non-contact electrical measurement technology, and Jupiter Systems, a manufacturer of Very Large Screen computer displays. He previously served on the board of Maxis Software, publisher of the award-winning SimCity series, and other high technology firms. In 1995, Mr. Engel was a founding partner of Kline Hawkes California, L.P., a venture capital fund organized to support the growth of California based entrepreneurial enterprises. He currently is a founding General Partner of Monitor Ventures, a new venture firm organized in conjunction with the Monitor Group, to invest in early stage technology ventures.

Mr. Engel is a Certified Public Accountant and a graduate of Penn State University and the Wharton School.

John Danner

Mr. Danner is an experienced management consultant and entrepreneur across a number of industries and organizational settings. He has advised senior executives of multi-billion-dollar international enterprises on issues of strategy, value management and business growth; as well as management teams of emerging ventures on matters of competitive positioning, marketing and product strategy. His clients over the years have ranged from leading companies in the healthcare, energy, entertainment, food products, telecommunications and information sectors to startups in newer markets like energy management, e-commerce and supply chain integration.

He has firsthand experience developing ventures, having co-founded a national business newspaper and managed care publication in the healthcare industry as well as having designed and successfully launched several new business initiatives for client organizations over the past twenty-five years. He also serves as ongoing advisor to several new companies in various industries. He began his entrepreneurial career in college, where he co-founded a market research and foreign language translation business that provided part-time employment to many Boston-area undergraduate and graduate students.

Earlier in his career, Mr. Danner practiced corporate and regulatory law for Morrison & Foerster, a multinational law firm based in San Francisco. While there, he successfully represented clients in a number of unusual settings, including coordinating MCI's state-by-state regulatory agenda following the divestiture of AT&T, troubleshooting several major downtown development projects in the Bay Area, negotiating a multi-billion-dollar energy purchase agreement and drafting enacted legislative reforms in the pension investment arena.

Mr. Danner earned his J.D. degree from Boalt Hall at the University of California, Berkeley, where he also served as Associate Editor of the California Law Review. In addition, he holds the M.A.Ed. and M.P.H. degrees from the University of California, Berkeley. He graduated cum laude from Harvard College.

Use of Guests

The course makes liberal use of guests from the community of entrepreneurs around Berkeley. To the extent possible, guests are planned to match the readings and cases required for that day's class. As an example, Mike Wood will speak to the readings on managing growth. His company, Leapfrog went through a very fast growth phase that required significant management skills. All guests should remain on topic and carefully screened to be good presenters and their ability to stick to the topic.

Use of Graders and Mentors

Since the class has a large amount of material due, the class makes extensive use graduate student instructors and graders. The faculty have built standard judging criteria that can be used to judge each of the business plans, presentations and class participation.

Each student team should be assigned a mentor to help them make better progress on their plan. Mentors at Berkeley are not compensated but give a few hours per week to a particular team to help them construct their business plans and that can best use the mentor's skills and expertise.