Course Overview

MGMT 230 integrates the material introduced in business fundamental courses and applies it to the design and evaluation of new ventures. The purpose of this course is to explore the many dimensions of new venture creation and growth and to foster innovation and new business formations in independent and corporate settings. The course addresses both a theoretical perspective on venture initiation and the application of writing an actual business plan. In this course, you are asked to get out of the habit of being a receiver of ideas, facts, concepts and techniques, and get into the habit of generating ideas, identifying problems, analyzing and evaluating alternatives, and formulating workable action plans, thus putting textbook knowledge into practice. Students will get this hands-on experience in the following ways: Through the formation and ongoing work of venture teams that will design a comprehensive business development plan for a start-up company. Teams are expected to utilize the tools and analytical approaches discussed in class to their venture, through lectures and class discussions that are designed to familiarize students with the many dimensions of entrepreneurship and new venture initiation. Class format varies throughout the course: in some class sessions, there will be a lecture on specific topics; other sessions will consist of case discussions of a topic or a discussion of the business concepts that students are developing; guest speakers also lead and participate in some class sessions.

Course Objectives

By the end of the course, you will know how to generate and test new venture ideas, validate your assumptions, prototype your idea, and build, grow, and harvest your venture. You will also have developed a pitch deck for your business plan, which you can use to apply for Penn’s Y-Prize Competition, Venture Initiation Program (VIP), and Startup Challenge, among other business plan competitions, and develop further into an early-stage company as part of the follow-on MGMT 231 (Venture Implementation) elective.

Grading

- 25% individual class attendance and participation
- 25% individual quizzes
- 50% team project: venture initiation plan (VIP)
Course Pack and Core Text
The course pack is available through Wharton Reprographics and includes the cases and required readings. Where possible due to copyrights restrictions, we have also made available some of the readings free of charge for educational purposes through Canvas (via the ‘Penn Library Course Reserves’ link). Mastery of the required readings and of the concepts discussed in class should be demonstrated in your final VIP presented at the end of the course. Recommended readings will also be provided for students who would like to pursue a concentration in Entrepreneurship and Innovation, and/or pursue a career in entrepreneurship or venture capital. In addition to the course pack, we will use the following text as our main reference book in this course:


This is an excellent and thorough guide by Wharton alumnus Noam Wasserman (W’92, SEAS’92) about the common mistakes many founders make in the process of starting a new company, based on his decade-long research of startups. The book is on reserve at Lippincott Library and also available at the Penn bookstore.

Recommended Readings
There are three recommended (excellent, but not required) readings for students interested in pursuing entrepreneurship and early-stage company investing beyond this course:


Venture Initiation Project (VIP) Teams
Extensive group work outside of class is an essential part of this course. This means that although the readings each week are relatively light, you will be expected to spend time outside of class interviewing potential customers, obtaining insights from hypothesis tests of your idea using minimum viable products (MVPs) and simple experiments, and conducting secondary market research to understand the market and competition. Course participants will therefore be randomly assigned into venture initiation plan (VIP) teams of 4-6 people. These teams will work together to prepare the final project for the course.

Team Contribution Ratings
You will be asked to complete a team member evaluation form to rate the contribution of each member of your VIP team by assigning an effort score (out of 100%), where 100% denotes full participation and contribution to team effort. These scores will be used to assign a weight that will be applied toward an individual’s VIP grade. Individual grades may therefore vary within teams, depending on peer-assessment of your contribution. These ratings are intended to deter “free riding” within teams.

Classroom Expectations
1. By participating in this class, you recognize that a significant proportion of your grade will depend on project team-work, and you agree to abide by the weighting of your grade on the basis of your team contribution ratings provided by your VIP team members.
2. Please display your name tents and refrain from using laptops, cell phones, and other electronic devices during class. Please also refrain from entering and leaving the classroom during class sessions; late entry or reentry will be allowed only under exceptional circumstances.

Ethics and Use of Prior Materials
Academic integrity is a core value of the University. Penn’s *Code of Academic Integrity* and *Plagiarism Policy* outline the University’s policies on academic integrity and plagiarism. Plagiarism is using ideas, data, or
language from previously published sources (including your own work) without specific or proper acknowledgment. Failure to properly acknowledge your prior work and the work of others will result in a failing grade for an assignment and possible disciplinary action by the University.

Confidentiality
The University is a community for the exchange of ideas and knowledge; policy discourages confidentiality and non-disclosure arrangements. Students will, however, be expected to respect the intellectual property of others.

Individual Attendance and Participation (25%)
Students are expected to attend class regularly and to be well prepared to participate by having read and prepared the readings. Full attendance credit (1/1pt per session) will be awarded to students who come to class on time and regularly. Full participation credit (1/1pt per session) will be awarded for consistently offering insightful and well-informed comments and contributing to each session. If you must leave town for a personal or family emergency, please notify the instructor to make proper arrangements for missed sessions.

Individual Quizzes (25%)
There will be five quizzes posted on Canvas testing material covered in class and in the readings. Quizzes are to be completed individually and will be graded automatically in Canvas.

Venture Initiation Plan (VIP) (50%)
The team project is a venture plan consisting of a 10-slide venture plan deck [scored out of 100pt] as follows:

1. **Title** [5pt] – Provide company name, your names and roles, and contact information.
2. **Problem/Opportunity** [15pt] – Describe the pain you are alleviation or the pleasure you are providing.
3. **Value Proposition** [15pt] – Explain the value of the solution you provide.
4. **Underlying “Magic”** [10pt] – Describe the features that make your offering special and difficult to imitate, using diagrams, flowcharts, prototypes or a demo.
5. **Business Model/Operations** [10pt] – Explain how you make money: who pays you, your channels of distribution, your gross margins, etc. This is an opportunity to drop the names of customers or organizations that are already using your product.
7. **Competitive Analysis** [10pt] – Provide a complete view of the competitive landscape and the current and foreseen alternatives available to your target customers. Explain the advantages of your proposed solution relative to the most competitive alternatives available to your target customers.
8. **Management Team and Advisory Board** [5pt] – Describe the key players of your management team, including your venture team and board of advisors.
9. **Financial Projections and Key Metrics** [10pt] – Provide projected operating income statement and explain the physical units of output needed to deliver the desired financial goals, using a fishbone diagram, or DDP.
10. **Current Status, Accomplishments to Date, Timeline and Use of Funds** [10pt] – Explain progress made along key checkpoints for testing assumptions about the viability of your venture, progress to date, and the timeline for further checkpoints.
Potential Sources of Venture Ideas:

1. Reflect on a problem that you are passionate about. What aspects of the problem do you find compelling and why? Who could you potentially help by solving this problem? Are there existing solutions for this problem? If so, what are their shortfalls and how can people’s experience be made better?

2. Interview customers or insiders in your industry or area of interest and find out from them what their pain points are and what potential problems you can solve. Consider spending a day shadowing customers of an existing product or service and asking them about their experience. Interview a few people in your area of interest to discover problems.

3. Connect with innovators through research hubs such as the Penn Engineering Research and Collaboration Hub (PERCH) at Pennovation Works and learn what they are working on. Draw inspiration from existing technologies and think about potential applications to different markets or customer segments.

4. Speak with people outside of Wharton. Consider meeting people at other departments at Penn or look for interesting ideas in places you don’t normally spend time (for example, visit the GRASP lab at Penn or The Laboratory for Research on the Structure of Matter).

5. Learn more about technologies available for commercialization through Y-Prize. You can develop a venture around how to successfully commercialize one of these technologies with your team and enter the Y-Prize competition for a chance to win $10,000.

6. Discover new technologies available for licensing through university-based technology transfer offices (e.g. at Penn, Stanford, MIT) and find new applications for these technologies towards solving people’s pain points and existing problems. Many universities, including Penn, own technologies developed by researchers that are available for licensing. You can see these technologies on sites such as the Penn Center for Innovation, MIT TLO, or Stanford OTL.
<table>
<thead>
<tr>
<th>Session</th>
<th>Day</th>
<th>Date</th>
<th>Topic</th>
<th>Readings Due</th>
<th>Assignments Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mon</td>
<td>Oct 21</td>
<td>Introduction to Entrepreneurship</td>
<td>Chapter 1 (p.1-26) of <em>The Founder’s Dilemmas.</em></td>
<td>HW: Read instructions on how to play <em>The Startup Game</em> before next class. Watch intro video.</td>
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<td>2</td>
<td>Wed</td>
<td>Oct 23</td>
<td>The Startup Game: Raising Capital and Recruiting Employees in Silicon Valley</td>
<td>The Startup Game simulation instructions.</td>
<td>HW: individually come up with one idea for your VIP project and post a picture representing your idea on the “Idea Machine” website by 5:00 pm Tuesday, October 25th; prepare a 1-min pitch of your idea to present within your team and convince your “co-founders” to select your idea.</td>
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<td>3</td>
<td>Mon</td>
<td>Oct 28</td>
<td>Hypothesis-Driven Entrepreneurship</td>
<td>“Hypothesis-Driven Entrepreneurship”</td>
<td>Quiz 1: “Experimenting in the Entrepreneurial Venture” due by 5:00 pm November 1st.</td>
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<td>4</td>
<td>Wed</td>
<td>Oct 30</td>
<td>VIP Team Day (no lecture)</td>
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<td>HW: Work with your VIP teams to select one idea (out of 4-6 individual ideas) to develop for your final project.</td>
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<td>5</td>
<td>Mon</td>
<td>Nov  4</td>
<td>Testing Hypotheses through Minimum Viable Products</td>
<td>“Test” (Chapter 6) of <em>The Lean Startup.</em></td>
<td>HW: Prepare a short (3 slides or fewer) power-point deck of your team’s VIP project idea to present in class during Testing Lab. Make sure to include any insights you have gathered so far from customer interviews. Post your slides on Canvas by 5:00 pm November 5th.</td>
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<td>6</td>
<td>Wed</td>
<td>Nov  6</td>
<td>Testing Lab Mini Pitches</td>
<td></td>
<td>HW: Work within your VIP teams to develop a list of 4-5 potential MVP tests of your project idea. Submit this list on your team’s Canvas site by 5:00 pm November 8th.</td>
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<td>7</td>
<td>Mon</td>
<td>Nov 11</td>
<td>Founding Team Case: Apple’s Core</td>
<td>“Role Dilemmas” Apple’s Core</td>
<td>Quiz 2: “Customer Insights” due 5:00pm November 15th.</td>
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<td>8</td>
<td>Wed</td>
<td>Nov 13</td>
<td>Building Your Company and Hiring the Right People</td>
<td>“Hiring Dilemmas” “Organizational Blueprints for Success in High-Tech Start-Ups”</td>
<td>HW: Work within your VIP teams to come up with a list of potential positions for which you will need to hire people (e.g., computer programmer) and identify a list of potential advisory board members for your company. Post on your team’s Canvas site by 5:00pm November 18th.</td>
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<tr>
<td>9</td>
<td>Mon</td>
<td>Nov 18</td>
<td>Startup Operations and Discovery-Driven Planning</td>
<td>“Discovery-Driven Planning”</td>
<td>HW: prepare DDP and post on Canvas by 5:00pm November 20th.</td>
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<tr>
<td>10</td>
<td>Wed</td>
<td>Nov 20</td>
<td>Financing: Family, Friends, Angels, VCs, and the Crowd</td>
<td>“Investor Dilemmas” “How to Raise Money”</td>
<td>HW: Work within your VIP teams to develop an estimate of how much start-up capital you will need and how you will source it. Post on Canvas by 5:00pm November 22nd.</td>
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<td>11</td>
<td>Mon</td>
<td>Nov 25</td>
<td>Power and Money Case: Evan Williams</td>
<td>“Reward Dilemmas” Evan Williams</td>
<td>Quiz 3: “Recognizing and Shaping Opportunities” due by 5:00pm November 25th.</td>
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<td>12</td>
<td>Mon</td>
<td>Dec  2</td>
<td>Business Models Case: Zipcar</td>
<td>Zipcar: Refining the Business Model</td>
<td>Quiz 4: “Financing Entrepreneurial Ventures” due by 5:00pm December 4th.</td>
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<td>13</td>
<td>Wed</td>
<td>Dec  4</td>
<td>Managing Growth Case: Crunch</td>
<td>“Scaling a Startup” Crunch</td>
<td>Quiz 5: “Developing Business Plans and Pitching Opportunities” due by 5:00pm December 9th.</td>
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<td>14</td>
<td>Mon</td>
<td>Dec  9</td>
<td>Exit and Harvest Case: Nantucket Nectars</td>
<td>“Harvest Time” Nantucket Nectars: The Exit</td>
<td>HW: Final VIP pitch deck due on Canvas by 5:00pm December 13th.</td>
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## Module 1 – Ideation

### 1. Introduction to Entrepreneurship

Read: Chapter 1 (pp. 1-26) of *The Founder’s Dilemma*.

Reflect:

1. Where do good startup ideas come from? What makes a startup idea “good”?
2. What are some common mistakes that many founders make? Why?

### 2. The Startup Game

Read: instructions on how to play *The Startup Game* and your role (founder, investor, early employee).

Watch: introductory video about how to play the game. If you are assigned to the role of a founder in the game, please come prepared to give a 1-minute pitch of your venture to recruit employees and attract investors.

*In-class: Play the Startup Game*

### 3. Hypothesis-Driven Entrepreneurship

Read: “Hypothesis-Driven Entrepreneurship: The Lean Startup” (pages 1-26) by Thomas R. Eisenmann, Eric Ries, and Sarah Dillard, HBS Note 812095-PDF-ENG.

Reflect:

1. What makes a “good” hypothesis? Why do entrepreneurs need to form and test hypotheses?
2. When is the “lean startup” method appropriate? When is it not appropriate?
3. What were the critical assumptions behind *Rent-the-Runway*? How did its founders go about mitigating the uncertainty around some of these assumptions? What hypotheses did they test and how?

### 4. VIP Team Day (no lecture)

The goal of team day is to give you and your team the chance to generate a short-list of ideas for your VIP project. You can also use this time to start forming your venture and planning ahead. To do this, please:

1. Post one idea that you would like to work on for your VIP project on Idea Machine (instructions will be sent ahead of class by the Wharton Learning Lab).
2. Prepare a 1-minute “pitch” of your idea. Why should others be excited to work on this idea with you? What problem does your idea solve? Or does it do something better, cheaper, or faster? Who will benefit from your product/solution? (You don’t need to have a power point presentation, but it is helpful to look at this as a way to convince your “co-founders” to work on your idea.)

## Module 2 – Prototyping

### 5. Testing Hypotheses through Minimum Viable Products (MVPs)

Read: “Test” (Chapter 6) of *The Lean Startup* by Eric Ries.

Skim: “How to Test Products Like a Googler” by Lucas Pettinati. Available [here](#).

Reflect:

1. What assumptions are you making about your customers (e.g. who they are, what they value, how they behave, what their willingness to pay is)?
2. Which of these assumptions are the most important for the viability of your venture? Think here in terms of demand for your product, your pricing, and any legal or regulatory approval needed.
3. What 2-3 simple experiments can you run to test the most important assumptions? How will you know if your assumption(s) are validated?

*In-class: Team Challenge: Commercializing Google’s Driverless Car.*

We will think about Google’s driverless car concept and MVP experiments. You will be asked in teams to identify potential ways to commercialize Google’s driverless car technology. Which assumptions are critical for the driverless car to succeed commercially? What simple hypothesis tests would you recommend to Google to understand whether the driverless car can be viable as a revenue-generating product or service?
6. Testing Lab Mini Pitches
The goal of this lab is for your team to present your initial findings from customer interviews and/or early tests of your product offering. You may use video materials or recordings of customer interviews, flowcharts or diagrams mapping customer behavior, mockups of your app or product, or any other useful prototyping and customer information that you would like to get feedback on. We will use the “wisdom of crowds” approach to ask you and your VIP team probing questions about the demand for your product, customers' willingness to pay, and desired minimal features. We will also aim to surface assumptions that your VIP team needs to test further. To make the most of this lab, please:
1. Prepare your VIP “pitch” of your venture idea, core assumptions, tests used to date to assess the validity these assumptions, and your initial findings from interviews with potential customers.
2. Each team will have time for their presentation and Q&A.

Module 3 –Startup Operations

7. Founding Team: Setting Roles, Allocating Rewards
Read:
2. Apple's Core, HBS case 9-809-063.
Reflect:
1. What should Wozniak do about Jobs?
2. Does Apple Computer (at the time of the case) have a good founding team? Why or why not?
3. What makes a person a true “founder”? Who are the “real” founders of Apple Computer?

8. Building Your Company and Hiring the Right People
Read:
Reflect:
1. How can entrepreneurs avoid hiring the wrong people, at the wrong time?
2. What makes some organizational blueprints more attractive than others? What is the role of the founder in establishing these blueprints?

9. Startup Operations and Discovery-Driven Planning
Reflect:
1. What is the goal of entrepreneurial planning? In what ways do startups differ from established organizations when it comes to mitigating risks and uncertainty?
2. Why should founders prepare “reverse” income statements? How are these statements useful as planning documents?

Module 4 –Seeking External Resources

10. Financing: Family, Friends, Angels, VCs, and the Crowd
Read:
2. “How to Raise Money” Chapter 2 in Venture Deals by Brad Feld and Jason Mendelson.
Reflect:
1. When is it a good idea to self-fund versus take money from outside investors?
2. When is it better to take money from the crowd than from venture capitalists?

11. Power and Money
Read:
2. *Evan Williams*, HBS case 9-809-088

Reflect:
1. When are equity splits a bad idea? What criteria should co-founders use when negotiating equity splits?
2. How has Evan Williams gotten himself into this mess? What should he do now?

### 12. Business Models

Read: *Zipcar: Refining the Business Model*, HBS Case 9-803-096

Reflect:
1. What are the biggest selling points for Chase to push as she tries to raise capital? What is the potential size of the market for Zipcar?
2. What are the key assumptions underlying the May, 2000 Zipcar business model? Or, to put it another way, which elements of the May 2000 plan would you want to monitor most closely during early roll-out to ensure that the business could be profitable?
3. Given the data in Table 8b, what actions would you suggest?

### Module 5 – Growth, Exit, and Harvest

#### 13. Managing Growth

Read:
1. “Scaling a Startup: People and Organizational Issues” HBS Note, 812100-PDF-ENG.

Reflect:
1. When is it appropriate to focus on growth versus profits? What are the organizational challenges with scaling a startup?
2. Should Crunch buy SportsLife? What are the biggest challenges facing Crunch?

#### 14. Exit and Harvest

Read:
1. “Harvest Time: Reaping What You’ve Sown” HBS Chapter, 5436BC-PDF-ENG.

Reflect:
1. If you are Tom and Tom, what is the minimum price you except for Nantucket Nectars?
2. If you were advising Tom and Tom, what would you tell them to do?