NOTE: The dates on which the subjects will be covered are approximate. I am working to finalize the dates for our guest speakers. I will provide timely updates by email.

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MST 550 - Capstone Project: Preparing the Business Plan

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    -Financial Analysis
    -Business Model
    -People
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21  Required Textbooks
    Reference Textbook
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22  References for Additional Study--Textbooks
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COURSE OVERVIEW INFORMATION

INSTRUCTOR
Jack Raiton, Senior Fellow
Division of Management, OHSU
3181 S.W. Sam Jackson Park Road
Portland, Oregon 97239-3098
503-367-0367 (O)
503-819-7155 (C)
503-244-5201 (H)
raitonj@ohsu.edu
E-mails will be answered within 24 hours. Phone calls are also welcome.

PREREQUISITES
MST 571 - Managerial and Financial Accounting for Science and Technology
MST 573 - Technology Marketing: Planning for Market
MST 520 - Becoming an Effective Manager
Instructor approval required - MST550 (2 credits); MST551 (3 credits)

RECOMMENDED COURSES
MST 572 - Financial Management for Science and Technology
MST574 - Technology Marketing: Going to Market
MST 509 - Commercialization Practicum

COURSE DESCRIPTION

Unlike many of the traditional subject areas in a MBA or MS in Management curricula, such as finance, marketing, operations, or organizational behavior, entrepreneurship is, by its very nature, an integrative exercise. When designing and building a company, all these discrete business skills must be brought together holistically by small teams in a very fluid, chaotic environment.

This course presents you with an opportunity to put all of your business skills to the test as you work with actual high technology or healthcare/life science startups, meet veteran entrepreneurs and startup experts, and prepare and pitch your business plans. Experiencing the opportunity to “bridge the gap between theory and practice” is one of our goals. Another goal is that you take away from this course a methodology for identifying and analyzing entrepreneurial opportunities throughout your career.

MST 550/551 will emphasize business formation from the point of view of the founders/ senior executive team and explore the behaviors, talents, skills and experiences that can be acquired to prepare future senior executives.

Entrepreneurship requires some natural abilities, but most required skills can be learned, practiced, and refined. There is a rich tradition of failure before success. This course encourages students to practice managing risk and return and learn from failure. Odds are that you will not leave the MST program and immediately start up a new successful enterprise.

Our objective is to help you have more fun and success with your career by practicing entrepreneurship within your own company. We believe that at least once in your career you will be faced with a golden opportunity. We intend to provide you with the background and tools necessary to recognize that opportunity when it appears, seize it and build a successful new business, either as an independent startup or within a broader corporate context.

The business plans will concentrate on the fundamentals of building a great business, including the business proposition, the business model, the customer need being fulfilled, the product, the competition, the market, the industry, the channels of distribution, the customer, the selling cycle, price points, funding requirements, etc.

In general, we will focus on “live” startup opportunities and/or major entrepreneurial initiatives within your own companies.

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COURSE OBJECTIVES

The primary objectives of MST 550/551 are to ensure that students:
- Understand the full complexity and breadth of the entrepreneurship process
- Integrate everything learned so far
- Learn to apply entrepreneurial behavior in traditional jobs for more personal satisfaction and gain

Additional objectives include:
- Gaining experience in developing, screening and refining new venture concepts
- Developing a lifelong habit of brainstorming and evaluating business concepts
- Solving problems in highly unstructured situations
- Learning the tools to build and execute a business plan
- Understanding the various strategies for financing different types of ventures
- Discovering the challenges of starting and operating a new business
- Enjoying the advantages of peer-group review and feedback

COURSE STRUCTURE

In contrast with the structure and learning approach of conventional courses, this course is designed to be highly interactive and “hands-on,” involving the application of theory and knowledge gained from earlier courses and work experiences. As such, the learning objectives are met through two primary methods. The first method is based on discussions of assigned articles, case analyses, text readings, and interaction with outside speakers. The second is the immersion of each student in a real business project to evaluate a new business concept and prepare a business plan. The most enduring and highest impact learning experience in entrepreneurship results from an intensive team process of conceiving, developing, and planning the implementation of a new venture idea.

Student teams will be formed and, in addition to discussing the nature and essential elements of a successful business model, class time will be used to discuss appropriate methods for completing various sections of the business plans; to do group work on the plans; and to review completed portions of the plans as teams progress toward final completion of the project. The teams are expected to utilize whatever tools or analytical approaches are appropriate for the venture.

Class lectures are also designed to familiarize you with the many dimensions of entrepreneurship and new venture development. In most classes, we will devote some time to lecturing on specialized topics, which are listed in the syllabus.

Lectures and cases will be supplemented with video presentations. There will be many guest lecturers.

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TEAM FORMATION AND REQUIREMENTS:

Students are required to form new venture teams whose talents, skills, and knowledge are complementary. **Extensive group work outside of class is an essential part of this course.** Other factors critical to your team’s functioning are the management and coordination of group effort by appropriate means (telephone, email, team meetings, virtual classroom, etc.)

Also, this class will test your team’s tolerance for ambiguity. By its very nature, entrepreneurship involves massive uncertainty. There is not always a formula or “right answer.” Please remember this as you hear different views expressed on similar matters across a whole range of issues.

GRADING CRITERIA

MST 550 will be graded as Pass/Fail with classroom and team participation and preparation being the major determinants of your grade.

Letter grades will be awarded in MST 551.

The TEAM GRADE will be based primarily on the final written plan and an oral presentation of each team’s business plan to a panel of knowledgeable judges. The judges’ assessment is final.

A Valuation Report, due at the end of MST 551, will also be a factor in determining the TEAM GRADE.

Additionally, a portion of your INDIVIDUAL GRADE will depend on the peer review of your contribution by your team colleagues. You will be asked to rate the contribution of each team member by assigning scores to selected criteria. At the same time, you will be asked to honestly evaluate your own contribution on these same criteria. There will be two peer reviews. One review will occur upon completion of MST 550 and a second at the end of MST 551. These reviews will be tabulated and scores will be confidentially distributed. The MST 550 review is designed to allow students the opportunity to improve and will not be considered in your grade. The second review, at the end of MST 551, will be a major determinant in arriving at your final MST 551 grade. The **Peer and Self Evaluation of Class Contribution** form is shown on Page 5 of this syllabus.

The quality of class presentation and participation, as determined by the instructor, is also important and will be factored into your final grade.

LATE POLICY

Students are encouraged to contact the instructor in advance by phone or email if it appears that assignments will be submitted late or if a student will be late or not able to attend a classroom session. If the instructor is informed in advance, accommodations can usually be made.

CAPSTONE WEBSITE

The Capstone website includes previous business plan submittals, tutorials and lectures, and various other resources. The URL for the Capstone website is:


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PEER AND SELF EVALUATION OF CLASS AND TEAM CONTRIBUTION

Please complete the following form to evaluate your own and your team members’ contributions to the class and to the team. This should be completed privately and submitted to Professor Raiton at the end of MST 550 and again on the last day of MST 551.

<table>
<thead>
<tr>
<th>NAME</th>
<th>Class attendance</th>
<th>Contribution Frequency</th>
<th>Contribution Quality</th>
<th>TOTAL</th>
<th>Grade you would assign</th>
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SCALES

Class attendance:
25 = As far as I know, this team member attended all classes and team meetings.
20 = As far as I know, this team member attended all but a few (80%) of the classes and team meetings.
10 = As far as I know, this team member attended between half and 80% of the classes and team meetings.
05 = As far as I know, this team member attended less than 50% of the classes and team meetings.

Contribution frequency:
25 = This team member contributed in nearly every class and team discussion.
20 = This team member contributed in about 80% of the class and team discussions.
10 = I recall that this team member contributed in class and with the team a few times during the semester.
05 = I do not recall that this team member contributed to class or team discussions.

Contribution quality:
25 = This team member made some of the highest quality contributions to class and team discussions.
20 = This team member made some quality contributions to class and team discussions.
10 = This team member made some contributions to class and team discussions.
05 = This team member’s contributions detracted from the class or team discussions or were not well thought out.

Grade:

In the final column please provide a grade that you would give each team member based on the other areas of evaluation. An “A” for excellent work, through “F” for failing work.

Now, the challenging part: Please honestly evaluate your own contribution using the scales above. This is an opportunity for you to engage in some personal reflection.

<table>
<thead>
<tr>
<th>YOUR NAME</th>
<th>Class attendance</th>
<th>Contribution Frequency</th>
<th>Contribution Quality</th>
<th>TOTAL</th>
<th>Grade you would assign</th>
</tr>
</thead>
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PRE-CLASS STUDENT PREPARATION – IDENTIFYING AND EVALUATING STARTUP OPPORTUNITIES

Potential Projects

Complete the Project Proposal for Capstone Student Team indicating your proposed project. Email this summary to the instructor for approval as soon as it’s available.

References for Additional Study:
- “Starting a Business? Where to Go for Information” (U9908D)
- “Knowing a Winning Business Idea When You See One” (R00510)
- “Picking the Best New Business Opportunities” (U0010A)

Identifying and Evaluating Startup Opportunities; Getting Started

Required Reading:
- Technology Ventures, Chapter 2, Opportunity and the Business Summary

References for Additional Study:
- “The Startup Process” (384179)

Action Plan

An action plan is desirable in the formative stages of your team as a way of structuring your thinking and approach to the project. Generally, the action plan covers the following two components:

- Define the venture concept in general terms. This document will grow into the Executive Summary of your business plans. Provide an overview of: (a) what your company proposes to do and why; (b) your venture’s uniqueness and competitive advantage; (c) your potential customers, suppliers, distributors, and competitors; and (d) the most difficult hurdles you expect to overcome to ensure your venture’s success.

- Develop a milestone chart and a schedule of activities for key tasks and the particular roles each team member will plan, including: (a) task list for each team member; (b) what sources of information are available and will be used the most; and (c) what primary and secondary research methods will be used.

Required Readings:
- “Pre-Start Analysis” (386075)
- “Milestones for Successful Venture Planning” (85503)

Reference for Additional Study:
- “What It Takes to Start a Startup” (Fortune)

PROJECT PROPOSAL FOR CAPSTONE STUDENT TEAMS

Describe your new business concept (limit one page) by addressing the following questions. Submit proposals to Professor Jack Raiton (raitonj@ohsu.edu).

1. Name of Business: (Use generic descriptor)
2. One-Sentence Description:
3. Industry/Competition:
4. Market/Segments: (Exactly who are your target customers?)
5. Unmet or Underserved Needs: (What is the need or concern of your target customers that is not being adequately met by current offerings on the market?)

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6. **Value Proposition/Solution:** (Describe the product and/or service that your business will produce in order to address your customer’s unmet need.)

7. **Competitive Advantage/ Differentiation:** (What makes your solution notably better than currently available offerings? Why would your target customers switch from their current way of doing things?)

8. **Business Model:** (How will you make money? How will you distribute/sell?)

9. **Risk Assessment:** (What is the likelihood of the business encountering technical or other risks? What are possible responses?)

10. **Team Member Roles:** (Name the team members and briefly describe their roles and their relevant backgrounds.)

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MST 550 - Capstone Project: Preparing the Business Plan

WEEK 1,

FRIDAY, JANUARY 22, 2010

INTRODUCTION AND COURSE OVERVIEW

- Course objectives and overview
- Explanation/discussion of course’s focus on team assignments
- Explanation of team formation and project selection process
- What makes a strong new-business concept?
- Characteristics of a competent, cohesive and complementary team

ENTREPRENEURIAL FRAMEWORK

Required Readings:
The Monk and the Riddle
Technology Ventures, Chapter 1, Capitalism and the Technology Entrepreneur

References for Additional Study:
“The Questions Every Entrepreneur Must Ask” (96603)
“How We Built a Strong Company in a Weak Industry” (R0102B)
“Building Your Company’s Vision” (96501)
“The Reluctant Entrepreneur” (92609)
“Why Entrepreneurs Don’t Scale” (R0212)
“Note on Building the Self-Sustaining Firm” (395200)
“A Test for the Fainthearted” (R0205)
“The Dark side of Entrepreneurship” (85609)
“The Heart of Entrepreneurship” (85216)
“A Perspective on Entrepreneurship” (384131)
“The Top Ten Lies of Entrepreneurs” (F0101B)
“Natural-Born Entrepreneur” (R0108B)
“Gurus in the Garage” (6455)

Streaming Videos:
What Makes Them Successful?
Problems are Opportunities
Definition of Entrepreneurship
Accidental Entrepreneur
When to Start a Company
Successful Ideas

ORGANIZATIONAL MODELS

GETTING INVESTOR READY – STEVE MORRIS

THE ELEVATOR PITCH

THE BUSINESS MODEL

Required Readings:
The Five Dysfunctions of a Team
“How Management Teams Can Have a Good Fight” (536X)
“What Makes A Leader”? (R0401H)
“Primal Leadership” (8296)

(return to Index)
SATURDAY, JANUARY 23, 2010

ENTREPRENEURIAL MARKETING

Identifying a Market, an Unmet Need, and a Solution to Address That Need

Required Readings:
“The Discipline of Innovation” (3480)
“Charting Your Company’s Future” (R0206D)

References for Additional Study:
“Entrepreneurial Marketing: Learning from High-Potential Ventures” (803036)
“Disruptive Technologies: Catching the Wave” (3510)
“Market Segmentation, Target Market Selection, and Product Positioning” (501018)

Industry and Market Analysis: How to Approach It and How It Shapes Your Future

Required Reading:
“Profit Pools: A Fresh Look at Strategy” (98305)
“Note on Marketing Strategy” (598061)

References for Additional Study:
“Discovering New Points of Differentiation” (97408)
“How to Map Your Industry’s Profit Pool” (98306)
“Creating New Market Space” (99105)

Market Entry

Required Reading:
“How Do You Know When the Price is Right” (95501)

References for Additional Study:
“Pricing Policies for New Products” (76604)
“Analyzing Consumer Perceptions” (599110)
“The Five Stages of Small Business Growth” (83301)
“Three Questions You Need to Ask About Your Brand” (R02009F)

Managing Growth

Required Readings:
“The Challenge of Growth” (393106)

(return to Index)
References for Additional Study:
- "Managing Transitions in the Growing Enterprise" (393107)
- "Managing the Growing Venture" (803137)
- "Leveraged Growth – Expanding Sales without Sacrificing Profits" (R0210E)
- "Growing Ventures Can Anticipate Marketing Stages" (83116)
- "Value Innovation: The Strategic Logic of High Growth" (R0407P)

The Importance of Entrepreneurial Sales in Building a Successful Startup

References for Additional Study:
- "How Strategic Is Your Sales Strategy?" (U0402B)
- "Pricing and the Psychology of Consumption" (R0209G)
- "Smarter Segmentation for Your Sales Force" (R0403H)
- "Managing Risk in an Unstable World" (1126)

Streaming Videos:
- eBay
- More on eBay
- Customers and Testing
- Viral Marketing
- Market Research

MARKETING PLAN PREPARATION

Required Reading: Technology Ventures, Chapter 11, The Marketing and Sales Plan

CAPTURING VALUE THROUGH TECHNOLOGY AND COMMERCIALIZATION STRATEGY

Required Case Study:
- "Advanced Inhalation Research, Inc." (899292)

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WEEK 2

FRIDAY, MARCH 5, 2010

WHAT IS AN ENTREPRENEUR?

Streaming Videos:
  What is an Entrepreneur?
  How the Entrepreneurial Bug Bit
  Why Be an Entrepreneur Now?
  Failure Early On
  Do What You Like

WHAT IT TAKES TO BE AN ENTREPRENEUR

Required Case Study:
  “Jerry Sanders” (498021)

Required Reading:
  “A Note on Social Networks and Network Structures” (OB-66)

Videos:
  An Interview with Jerry Sanders, Managing Director of San Francisco Video
  Building Effective and Efficient Personal Networks, Professor Joel M. Podolny, Stanford University

Streaming Videos:
  Entrepreneurial Bug
  Passion vs. Money
  Technology – The Driver of Change
  Timing is Everything
  Best Time to Start a Company
  Examples of Great Companies
  Quality Leaders

WHO ARE VENTURE CAPITALISTS AND ANGELS

Required Readings:
  “What Do Venture Capitalists Do?” (288015)
  “A Note on the Initial Public Offering Process” (200018)
  “A Note on Angel Financing” (298083)

References for Additional Study:
  “A Note on the Venture Capital Industry” (295065)
  “Strategy vs. Tactics from a Venture Capitalist” (87212)
  “Discard Many Old Rules about Getting Venture Capital” (82112)
  “You Can Negotiate with Venture Capitalists” (87207)
  “Second Thoughts on Going Public” (77510)

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Streaming Videos:
- Right Time to Sell
- Going Public
- Working with VCs
- What Numbers Do VCs Look At?

SATURDAY, MARCH 6, 2010

ACCOUNTING FOR STARTUPS

Constructing Financial Statements for Startups

Required Case Study:
- “Chemalite, Inc.” (A) (177078)

Required Reading:
- “Introduction to Accounting Records” (192153)

Accounting Concepts

References for Additional Study:
- “A Conceptual Framework for Financial Reporting” (101118)
- “The Accounting Framework, Financial Statements, And Some Accounting Concepts” (193028)

The Financial Statements

References for Additional Study:
- “The Balance Sheet” (101108)
- “The Income Statement” (101109)
- “The Statement of Cash Flow” (101107)

Financial Analysis

References for Additional Study:
- “Introduction to Financial Ratios and Financial Statement Analysis?” (193029)
- “Financial Statement Analysis” (195177)

NETWORKING – CAREER MANAGEMENT

Required Case Study:
- “Kevin Simpson” (492041)

(return to Index)
THE BASICS OF ENTREPRENEURIAL FINANCE

Required Text Readings:
  Technology Ventures, Chapter 16, The Profit and Harvest Plan

References for Additional Study:
  "Note on the Financial Perspective: What Should Entrepreneurs Know? (293045)
  "Introduction to Entrepreneurial Finance" (298061)
  "How Venture Capital Works" (98611)

Evaluating Feasibility

Required Reading:
  "Managing Risk and Reward in the Entrepreneurial Venture" (803176)

Streaming Videos:
  Learning from Failures
  Appreciating Risk
  Risk
  Risks Google
  Leverage
  Managing Cycles

Additional Study:
  "Realistic Criteria for Judging New Ventures" (81613)

BUSINESS MODELS

Crafting and Assessing Business and Revenue Models

Required Reading:
  "Why Business Models Matter" (9985)

Reference for Additional Study:
  "Is It Time to Trade In Your Business Model?" (U0201A)
  "Note on Business Model Analysis for the Entrepreneur (802048)

THE ELEVATOR PITCH

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MST 551- Capstone Project: Delivering the Business Plan

WEEK 1

FRIDAY, APRIL 16, 2010

ENTREPRENEURIAL INSIGHTS (VIDEO)

Required Video: “Entrepreneurial Insights” (306073)

EARLY-STAGE BUSINESS VIGNETTES

Required Case Study: “Early-Stage Business Vignettes” (E-304)

HOW VENTURE CAPITALISTS EVALUATE POTENTIAL VENTURE OPPORTUNITIES

Required Case Study: “How Venture Capitalists Evaluate Potential Venture Opportunities” (805019)

APRIL 17, 2010

MARKETING PLAN PRESENTATIONS

Required Reading: Technology Ventures, Chapter 11, The Marketing and Sales Plan

THE BUSINESS PLAN: STRUCTURE AND CONTENT

The Venture Communications Pyramid; Effectively Selling Your Vision to Investors

Required Readings:
“How to Write a Great Business Plan” (97409)
Technology Ventures, Chapter 7, Venture Creation and the Business Plan

References for Additional Study:
“The Business Plan” (389020)
“How to Pitch a Brilliant Idea” (R0309)

WEEK 2

FRIDAY, APRIL 30, 2010

SOURCES OF CAPITAL

Required Reading:
Technology Ventures, Chapter 18, Sources of Capital
“Bootstrap Finance: The Art of Startups” (92601)

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References for Additional Study:

- “New Venture Financing” (802131)
- “How Much Money Does Your New Venture Need?” (86314)
- “A Stealth Way to Raise Money” (F00501)
- “How Much Debt is Right for Your Company?” (82413)
- “Convertible Securities” (202129)
- “A Note on Government Sources of Financing for Small Businesses” (298015)
- “A Note on Private Equity Securities” (200027)
- “Venture Leasing: A Form of Venture Lending” (E147)

Streaming Videos:

- Bootstrapping
- Raising VC Today
- Treating VC Money as Your Own
- VCs vs. Corporate Funding

MANAGING MULTINATIONAL STARTUPS

Required Case Study:

- “Spotfire: Managing a Multinational Startup” (899078)

VALUATION OF EMERGING COMPANIES

Required On-Line Tutorial

- “Pre-Money/Post-Money Valuation” (803703)

Required Reading:

- “Funding New Ventures: Valuation, Financing, and Capitalization Tables” (806058)
- “A Note on Valuation of Venture Capital Deals” (E95)
- “Deal Structure and Deal Terms” (806085)
- “Funding New Ventures: Valuation, Financing, and Capitalization Tables” (806058)

References for Additional Study:

- “The Basic Venture Capital Formula” (804042)
- “A Note on Pre-Money and Post-Money Valuation” (802179)
- “Venture Capital Negotiations: VC versus Entrepreneur” (800170)

SATURDAY, MAY 1, 2010

FINANCIAL PLAN PRESENTATIONS

Required Reading:

- Technology Ventures, Chapter 17, The Financial Plan

Streaming Videos:

- The Advantage of Profits
- Acquisitions
- JetBlue

HOW TEAMS MAKE HIGH –STAKE DECISIONS IN STRESSFUL SITUATIONS

Required Case Study:

- “Mount Everest – 1996” (303061)

THE POWER OF PERSUASION (VIDEO)

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WEEK 3

FRIDAY, MAY 21, 2010

ENTREPRENEURSHIP WITHIN THE ESTABLISHED CORPORATIONS AND COMMERCIALIZING – INNOVATION

Required Case Study:
“Hewlett-Packard: The Flight of the Kittyhawk” (A) (606088)

Required Reading:
Technology Ventures, Chapter 8, Independent Versus Corporate Ventures
“Bringing Silicon Valley Inside” (3464)

References for Additional Study:
“Creating Breakthroughs at 3M” (6110)
“Waking Up IBM: How a Gang of Unlikely Rebels Transformed Big Blue” (648X)
“Meeting the Challenge of Disruptive Change” (3456)
“Making Sense of Corporate Ventures” (R0203G)
“New Ventures for Corporate Growth” (80411)
“New Ventures: Lessons from Xerox and IBM” (89405)

Streaming Videos:
Spinoffs
Corporate Venturing

LEGAL ASPECTS OF ENTREPRENEURSHIP

Ownership/Governance/Intellectual Property

Required Reading:
Technology Ventures, Chapter 10, Legal Formation and Intellectual Property

References for Additional Study:
“Legal Aspects of Entrepreneurship: A Conceptual Framework” (802161)
“The Legal Forms of Ownership” (898245)
“Building the Best Boards” (6948)
“Intellectual Property and Strategy” (704493)

Streaming Video:
Patents

TERM SHEETS

Required Case Study:
“Term Sheet Negotiations for Trendsetter, Inc.” (801358)

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SATURDAY, MAY 22, 2010

BUSINESS PLAN PRESENTATIONS (INTERIM)

These presentations, presented in the third classroom session, should last no longer than 20 minutes and are followed by Q&A, are a key part of the course learning experience, both for those students presenting as well as for students in the audience.

Your job, as an audience member, is to actively listen to the startup teams presenting, and to formulate and pose challenging questions and suggestions as if you were a prospective investor. A portion of your class grade will be based on your active participation in all the presentations.

Required Reading:
Technology Ventures, Chapter 19, Presenting the Plan and Negotiating the Deal

Streaming Videos:
Negotiations
Tips For A Good Pitch
Change the World

A COMPANY IS BORN

Required Case Study:
Vermeer Technologies (A) (397078)

WEEK 4

FRIDAY, DECEMBER 4, 2009

BUSINESS PLAN PRESENTATIONS (FINAL)

The business plan presentations should last no longer than 20 minutes and are followed by questions and comments from a panel of judges. The judges are experienced entrepreneurs, venture capitalists, and other experts. They will review your business plans and will judge each team on the completeness and clarity of their written business plans as well as the oral presentations.

Required Reading:
Technology Ventures, Chapter 20, Leading a Technology Venture To Success

Final Course Wrap-up

(return to Index)
BUILDING BLOCKS

The Building Blocks are not an exercise in drafting a business plan. Rather, they are a series of topics and subtopics, the results of which should:

- Enable your team to reach *industry expert status*, allowing you to have meaningful conversations with key executives, customers, and suppliers.
- Provide the teams with the research basis and understanding necessary to create your business and write the Business Plan
- Provide the basis for developing your sales, marketing and overall strategies

The Building Blocks represent a body of work that defines your business world, the environment/industry in which your company and product will reside the rules of the game, and the structure and function of your company.

The goal of the Building Blocks is for you to get “inside the skin” of your industry and its players, processes and rules of operation and to determine how success is defined.

**Industry and Competitive Analysis**

Suggested questions/issues to address:
- Size of the industry and growth rate (TAM and SAM)
- Size of the addressable market for your product or service (SAM and CAGR)
- How do products and services flow within the industry (supply chain and sales channel)
- Market segmentation/customer profile
- What business and revenue models are currently employed in your industry space?
- Who are the various players in this market space: customers, suppliers, and competitors? What do they value?
- Who are the influencers who sway and mold customer and investor opinion?
- What are the typical use cases?
- What are the sources of industry data? Where/how are competitor intelligence, customer preference, and market data gathered? What trade shows, conferences, magazines, periodicals and associations showcase the industry?
- What trends in the industry will impact your company?
- What similar products/solutions are being offered today to your target market? From whom and at what price?
- What new alternate or substitute ways of meeting the market and customer needs might appear in the future? Are there any potentially disruptive technologies?
- Where are the gaps or leverage points that provide your venture with its primary opportunity?
- Define and convey the compelling need and differentiation to buy your offering

**Preliminary Venture Definition**

This section is an overview of your Company. It includes:
- A detailed definition of the business and team
- Mission and Vision statements
- A working definition of the market, its target customers and the customer needs your company will fill
- Definitions of the company’s first product(s), product line(s), service(s), product platforms, and/or revenue-producing processes
- Feature/function/benefit analysis of your product and how it meets the targeted customer needs better/faster/cheaper than current approaches
- Customer value drivers
- A description of the business and pricing models
- A clear statement of your company’s sustainable competitive advantage
- A primary risk assessment

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Market, Customer and Distribution Channels

Topics that may be addressed include:
- Who are the targeted customers that will buy your product? Relative size of the targeted customers/segments? Segmentation schemes? What is the segment growth rate?
- What are the needs and preferences of each segment?
- Who influences the customer? How do you measure and track their needs?
- Who are the innovators? Why?
- Who will purchase the first product? Why?
- Describe the sales channel(s) Direct, indirect, both?
- Describe the distribution rules
- Sales management
- Describe the typical sales cycle
- Describe your primary market theme
- How will you promote your company?

Financial Analysis

The preliminary financial model should contain:
- Pro forma income statements, cash flow statements and balance sheets for five years, with a quarterly analysis for the first year
- A headcount analysis that ties into the financial statements in an understandable fashion
- Key ratios, risk/reward profile, and breakeven analyses
- Capital budget
- A sheet detailing key assumptions that drive the financial projections

Business Model

- Describe the complete lifecycle of one typical customer from lead generation to after-sale support and service
- What is your revenue model? How do you plan to make money?
- Is your business model set up to generate recurring revenue?

People

- Describe the values and culture of your company/team
- Describe the strengths of your team members
- Describe the ideal management team you’d like to recruit

THE BUSINESS PLAN – GUIDELINES

The major deliverables for MST 550 are the Business Plan and the accompanying Investor Presentations. What follows are some general guidelines concerning the content and format for the Business Plan document. These guidelines should not be considered “the gospel” and you may chose to include more or less of what is shown, depending on the fundamentals and dynamics of your company and its markets.

Business Plan Content (No need to present the information in this order)
- Executive summary
- Assumptions
- Industry/market overview
- Description of product or service
- Technology assessment

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- Company competitive advantages
- Net Assessment (SWOT, Critical Success Factors, and Critical Risk Factors)
- Strategy Platform (Objectives, Market Leadership, Growth Strategy and Intended Market Position
- Marketing and sales plan
- Operational plan
- Competition
- Financial projections (P&L, Balance Sheet, Cash Flow, Capital Budget)
- Break-even analyses
- Risk/reward
- Exit strategies
- Management, organizational requirements
- Challenges and risks

**Business Plan Format**
- Limited to 20 pages of text and exhibits (be concise!)
- Make extensive use of graphics and exhibits
- Include a financial appendix (not counted against the 20-page limit)

**REQUIRED TEXTBOOKS:**


**REFERENCE TEXTBOOK:**


**REQUIRED READINGS**

(Unless otherwise noted, readings may be purchased at [www.hbsp.com](http://www.hbsp.com))

1. “Pre-Start Analysis” (386075)
2. “Milestones for Successful Venture Planning” (85503)
3. “Jerry Sanders” (HBS Case Study 498021)
4. “How Management Teams Can Have a Good Fight” (536X)
5. “What Makes a Leader”? (R0401H)
6. “The Discipline of Innovation” (3480)
7. “Charting Your Company’s Future” (R0206D)
8. “Profit Pools: A Fresh Look at Strategy” (98305)
9. “Note on Marketing Strategy” (598061)
10. “How Do You Know When the Price is Right?” (95501)
11. “The Challenge of Growth” (393106)
12. “Chemalite, Inc. (A)” (HBS Case Study 177078)
13. “Introduction to Accounting Records” (192153)
14. “Managing Risk and Reward in the Entrepreneurial Venture” (803176)
15. “Why Business Models Matter” (9985)
17. “How to Write a Great Business Plan” (97409)

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18. “Bringing Silicon Valley Inside” (3464)
19. “What Do Venture Capitalists Do?” (288015)
20. “A Note on the Initial Public Offering Process” (200018)
21. “A Note on Angel Financing” (298083)
22. “Bootstrap Finance: The Art of Startups” (92601)
23. “Term Sheet Negotiations for Trendsetter, Inc.” (HBS Case Study) (801358)
24. “A Note on Valuation of Venture Capital Deals” (E95)
25. “Deal Structure and Deal Terms” (806085)
26. “Funding New Ventures: Valuation, Financing, and Capitalization Tables” (806058)
27. “How Venture Capitalists Evaluate Potential Venture Opportunities” (805019)
28. “Primal Leadership” (8296)
29. “Entrepreneurial Insights Video (306703)
30. “Spotfire: Managing a Multinational Start-up” (HBSP Case Study 899078)
31. “Early Stage Business Vignettes” (E-304)
32. “A Note on Social Networks and Network Structures” (OB-66)
33. “Kevin Simpson” (492041)
34. “Pre-Money/Post-Money Valuation” (803703)
35. “Funding New Ventures: Valuation, Financing, and Capitalization Tables” (806058)
36. “Advanced Inhalation Research, Inc.” (899292)
37. “Mount Everest – 1996” (303061)
38. “Vermeer Technologies (A)” (397078)

REFERENCES FOR ADDITIONAL STUDY - TEXTBOOKS

Crossing the Chasm: Marketing and Selling High-Tech Products to Mainstream Customers, Geoffrey A. Moore, Harper Business Essentials paperback, ISDN 0-06662-002-3


CRM At the Speed of Light, PaulGreenberg, McGraw-Hill, ISBN 0-07223173-4


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Roadmap to Entrepreneurial Success, Robert W. Price, AMCOM, ISBN 0-8144-7190-0


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REFERENCES FOR ADDITIONAL STUDY – ARTICLES

(Unless otherwise noted, articles may be purchased at www.hbsp.com)

1. “Starting a Business? Where to Go for Information” (U9908D)
2. “Knowing a Winning Business Idea When You See One” (R00510)
3. “Picking the Best New Business Opportunities” (U0010A)
4. “The Startup Process” (384179)
5. “What It Takes to Start a Startup” (Fortune)
6. “The Questions Every Entrepreneur Must Ask” (96603)
7. “How We Built a Strong Company in a Weak Industry” (R0102B)
8. “Building Your Company’s Vision” (96501)
9. “The Reluctant Entrepreneur” (92609)
10. “Why Entrepreneurs Don’t Scale” (R0212)
11. “Note on Building the Self-Sustaining Firm” (395200)
12. “A Test for the Fainthearted” (R0205)
13. “The Dark Side of Entrepreneurship” (85609)
15. “A Perspective on Entrepreneurship” (384131)
16. “The Top Ten Lies of Entrepreneurs” (F0101B)
17. “Natural-Born Entrepreneur” (R0108B)
18. “Gurus in the Garage” (6455)
19. “Note on the Hiring and Selection Process” (393093)
20. “Entrepreneurial Marketing: Learning from High-Potential Ventures” (803036)
21. “Disruptive Technologies: Catching the Wave” (3510)
22. “Discovering New Points of Differentiation” (97408)
23. “How to Map Your Industry’s Profit Pool” (98306)
24. “Creating New Market Space” (99105)
25. “Pricing Policies for New Products” (76604)
26. “Analyzing Consumer Perceptions” (599110)
27. “The Five Stages of Small Business Growth” (83301)
28. “Three Questions You Need to Ask About Your Brand” (R0209F)
29. “Value Innovation: The Strategic Logic of High Growth” (R0407P)
30. “Managing Transitions in the Growing Enterprise” (393107)
31. “Managing the Growing Venture” (803137)
32. “Leveraged Growth – Expanding Sales without Sacrificing Profits” (R0210E)
33. “Growing Ventures Can Anticipate Marketing Stages” (83116)

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3. “The Balance Sheet” (101108)
4. “The Income Statement” (101107)
5. “The Statement of Cash Flow” (101107)
7. “Financial Statement Analysis” (195177)
8. “New Venture Financing” (802131)
11. “Introduction to Entrepreneurial Finance” (298061)
12. “How Venture Capital Works” (98611)
13. “Realistic Criteria for Judging New Ventures” (81613)
14. “Is It Time to Trade In Your Business Model?” (U0201A)
15. “The Business Plan” (389020)
16. “How to Pitch a Brilliant Idea” (R0309)
17. “Creating Breakthroughs at 3M” (6110)
18. “Waking Up IBM: How a Gang of Unlikely Rebels Transformed Big Blue” (648X)
19. “Meeting the Challenge of Disruptive Change” (3456)
20. “Making Sense of Corporate Ventures” (R0203G)
21. “New Ventures for Corporate Growth” (80411)
22. “New Ventures: Lessons from Xerox and IBM” (89405)
23. “A Note on the Venture Capital Industry” (295065)
24. “Strategy vs. Tactics from a Venture Capitalist” (87212)
25. “Discard Many Old Rules about Getting Venture Capital” (82112)
26. “You Can Negotiate with Venture Capitalists” (87207)
27. “Second Thoughts on Going Public” (77510)
28. “A Stealth Way to Raise Money” (F00501)
29. “How Much Debt is Right for Your Company?” (82413)
30. “Convertible Securities” (202129)
31. “A Note on Government Sources of Financing for Small Businesses” (298015)
32. “A Note on Private Equity Securities” (200027)
33. “Venture Leasing: A Form of Venture Lending” (E147)
34. “Everything You (Don’t) Want to Know About Raising Capital” (89613)
35. “Intellectual Property and Strategy” (704493)
37. “The Legal Forms of Ownership” (898245)
38. “The Basic Venture Capital Formula” (804042)
39. “A Note on Pre-Money and Post-Money Valuation” (802179)
40. “Venture Capital Negotiations: VC versus Entrepreneur” (800170)
41. “Building the Best Boards” (6948)
42. “Market Segmentation, Target Market, Market Selection, and Product Postioning” (501018)
43. “How Strategic Is Your Sales Strategy?” (U0402B)
44. “Pricing and the Psychology of Consumption” (R0209G)
45. “Smarter Segmentation for Your Sales Force” (R0403H)
46. “Managing Risk in an Unstable World” (1126)
47. “Note on Business Model Analysis for the Entrepreneur” (802048)

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