



Stuart School of Business

BUS 361 Introduction to Entrepreneurship

Classroom: Meeting time: Tech Business Center 050 Credit: 3 credit hours Office Hours: M, W: 1:00 – 3:00 Opm Course site: iit.blackboard.com www.xanedu.com (pack #318906)	Instructor: Dr. Jianwen (Jon) Liao Associate Professor of Entrepreneurship and Strategy Phone: (312) 567 3895 Office: IGT-C 4A8-2 E-mail: liao@iit.edu
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COURSE DESCRIPTION

This course provides an introductory overview of the knowledge and skills needed for the identification, evaluation, and exploitation of opportunities in a variety of circumstances and environments. We will examine how entrepreneurs undertake the tasks necessary for developing entrepreneurial ventures, both independently and within corporate settings.

Attention is paid to the behaviors of entrepreneurs (both successful and unsuccessful), entrepreneurial networks, the venture creation process, new venture strategies, identification and evaluation of new venture opportunities, new venture financing, legal and tax considerations, market entry strategies, and the development of a formal business plan.

The business concept, opportunity recognition, feasibility analysis, business plan development and the entrepreneur are the unifying themes of this course. We explore how entrepreneurs find, screen, and evaluate ideas and new business opportunities by developing a business concept. A business concept identifies particular customers and benefits and then specifies how these benefits are provided to customers through explicit channels of distribution. The process of determining the feasibility of an entrepreneurial venture is emphasized. A feasibility analysis helps an entrepreneur determine whether the conditions are right to go forward with the business concept. Students will engage in many of the activities of feasibility analysis throughout the course module. Eventually, a formal business plan is to be developed.

COURSE OBJECTIVES

1. To familiarize you with the essential requirements for the successful planning of a new venture and to become aware of the various issues involved in initiating a new venture.
2. To develop skills associated with innovative management in entrepreneurial environments where uncertainty and lack of information and resources are typical.
3. To learn and apply a variety of tools and concepts including feasibility analysis, trends analysis, opportunity recognition and financial analysis for making entrepreneurial decisions.
4. To explore how entrepreneurs think and to acquaint students with the entrepreneurial mindset and to make you realize that being an entrepreneur is a life-long career choice that may be a very viable option for you.

LEARNING OBJECTIVES

In broad terms, the following activities are (Minor, Important, Essential) for this course:

- Important Gaining factual knowledge (terminology, classifications, trends)
- Important Learning fundamental principles, generalizations, or theories
- Essential Learning to apply course materials (to improve thinking, problem solving, and decisions)
- Important Developing specific skills, competencies, and points of view needed by professionals in the field most closely related to this course
- Important Acquiring skills in working with others as a member of a team
- Minor Developing creative capacities (writing; inventing; designing; performing in art, music, drama; etc.)
- Minor Gaining a broader understanding and appreciation of intellectual/cultural activity (music, science, literature, etc.)
- Important Developing skill in expressing oneself orally or in writing
- Important Learning how to find and use resources for answering questions or solving problems
- Important Developing a clearer understanding of, and commitment to, personal values
- Essential Learning to *analyze* and *critically evaluate* ideas, arguments and points of view
- Important Acquiring an interest in learning more by asking questions and seeing answers

COURSE MATERIALS

Course Pack from www.xanedu.com (ID: 333125)

Other course materials (cases, supplementary readings) will be distributed at the course website.

A list of suggested resources in entrepreneurship will be posted in the Public Folder and on Blackboard.

Suggested Readings

Highly recommended:

The Man of Silicon Valley
The World is Flat

Articles:

The Questions Every Entrepreneur Must Answer by Amar V. Bhide;
How to Write a Great Business Plan by William A. Sahlman;
How Entrepreneurs Craft Strategies That Work by Amar V. Bhide;

How Much Money Does Your New Venture Need? by James McNeill Stancill;
Milestones for Successful Venture Planning by Zenus Block and Ian C. MacMillan;
Strategy vs. Tactics from a Venture Capitalist by Arthur Rock;
Bootstrap Finance: The Art of Start-Ups by Amar V. Bhide;
Commercializing Technology: What the Best Companies Do by J. Michael Nevens,
Gregory L. Summe, and Bro Uttal.

Books

Kaplan, J. (1996). *Startup: A Silicon Valley Adventure*. New York: Penguin. Paperback. ISBN: 014257314
Adams, Rob (2002) *A Good Hard Kick in the Ass: Basic Training for Entrepreneurs*. Crown Business
Bygrave, William, ed. *Portable MBA in Entrepreneurship* 2nd edition 1996
Gupta, Udayan (2000) *Done Deals: Venture Capitalists Tell Their Stories*. Harvard Business School Press
Robinson, Robert J. & Van Osnabrugge, Mark (2000) *Angel Investing: Matching Startup Funds with Startup Companies -- A Guide for Entrepreneurs, Individual Investors, and Venture Capitalists*. Jossey-Bass
Gompers, Paul A. & Lerner, Joshua (2001) *The Money of Invention: How Venture Capital Creates New Wealth*. Harvard Business School Press
Compers, Paul A. & Lerner, Joshua (1999) *The Venture Capital Cycle*. MIT Press

LEARNING METHODOLOGY

My role as instructor is to teach concepts and processes, provide resources, and coach you. You will learn through self-directed study of the text, limited lecture, and extensive use of in-class and outside of class participative activities such as teamwork, case studies, skill practice, etc. My role in this class is also to share with you the real life challenges and excitement of being an entrepreneur.

You are expected to read the assigned chapters before coming to class in order to be prepared to participate in class discussion and other learning activities.

I truly want to make these concepts real to you and not just words in a textbook. Research clearly shows that students learn best through application, analysis, synthesis and evaluation; you will experience problem-based learning as you complete your team's business plan. Individually and through teamwork you will utilize all six of the following levels of learning:

Knowledge - recall and memorization

Comprehension - ability to paraphrase and interpret information in one's own words

Application – use knowledge in a new situation

Analysis - break down knowledge into parts and show interrelationships

Synthesis - bring together parts of knowledge to form a whole

Evaluation - make judgments on the basis of given criteria

The above learning will rest on both individual level and team level.

Individual Responsibility: You are expected to come to class with the *knowledge* and *comprehension* of the material in the chapter. If you do not come to class with this preparation, you will not be able to contribute to your team's effort, resulting in a personal deduction of points from the points your team earned (see Peer Evaluation).

Team Responsibility: You are expected to *apply* your knowledge of chapter concepts to the development of your team's Feasibility Report and Presentation. In order to do so, you must work together to *analyze* the problem, *synthesize* your knowledge, and *evaluate* your work.

COURSE ACTIVITIES AND ASSIGNMENTS

An Entrepreneur Report

Each student in the class is responsible for finding an entrepreneur that is currently or has previously been involved in a venture. To help prepare for your interview, check out the link on *Interview Format and Content Guidelines* at the course blackboard website.

Once you have you conducted the interview, I want you to distill your thoughts into a short (6-8 double-spaced typed pages) written paper. The paper should start with brief introduction of the entrepreneur and his or her business. The rest of the paper should address the following, but are not limited to, questions.

- 1) People. What makes an entrepreneur? In another words, what are the major traits/behaviors? How do these traits contribute to his or her success or failure as an entrepreneur?
- 2) Processes. How did he or she start the business? i.e., how did he or she identify the opportunity? Secure the resources? Reach first sales etc...
- 3) What do you learn from the entrepreneur?

The report is due in class on **Wednesday, September 29** in class. We will have one section of class meeting to share ideas.

New Business Plan Development

Teams will work together to develop a formal business plan on a business idea and prepare a formal presentation in the end.

The team is required to turn in a formal memorandum **Wednesday, September 8** , include:

- The type of business you have selected for your Report and Presentation; and
- Explain why you chose this type of business.
- Identify the students on your team, and the name of your team's business.
- Include your Team Contract (sample form on course blackboard website)

The final business plan is due on **Wednesday of December 2**.

New Business Plan Presentation

Teams will work together to give a formal presentation of the results of their Feasibility Report. Download the "Presentation Instructions and Grade Sheet" document from the course blackboard website. Turn in a "handout" copy of your PowerPoint slides with the Grade Sheet attached. Refer to the "Paper and Presentation Grading Guidelines" in this syllabus to determine the level of effort needed to earn the grade you want.

Exams

We will have only ONE exam at the end of the semester. The exam will consist of short answer questions.

Make up exams are only given for excused absences (see Attendance Policy.) If you must miss an exam, the make up exam must be taken before returning to class. If the exam is not made up

within one week after it was scheduled, you will be penalized the equivalent of one letter grade on that exam for each class period that goes by until it is made up. Exceptions to this policy may be made in the case of serious illness or other documentable excuses.

Business Case Analyses

Cases will be periodically used to enrich our class discussion and they are available from our course pack. Each student is expected to read each of the cases assigned as a part of the readings for the class. To assure adequate preparation, students will be required to do case write-ups on the case assigned. You can simply address the questions at the end of each case. The case report should not be more than two pages. The report is due in class when the case is discussed.

In approaching a case, try to put yourself in the place of the entrepreneur who is facing the problem(s) and who is required to make decisions and act.

Class Participation

Your class participation and discussion is a major part of the course. Evaluation of contribution will be made on both quality and quantity and quality of contribution. Feedback provided to other business teams is also an important component of the evaluation.

Your overall commitment and attitude toward this course, and your daily active *verbal* participation in class discussions, will be closely monitored. In grading class participation, we will look at both the quantity and quality of your class contributions/ interventions. Class participation is obviously a function of preparation, skills, attitude, and a willingness to actively commit yourself in front of us and your colleagues.

With regard to quality, the dimensions that we look for include:

- *Relevance* -- does the comment bear on the subject at hand? Comments that do not link up with what the discussion is focusing on can actually detract from the learning experience.
- *Causal Linkage* -- are the logical antecedents or consequences of a particular argument traced out? Comments that push the implications of a fact or idea as far as possible are generally superior.
- *Responsiveness* -- does the comment react in an important way to what someone else has said?
- *Analysis* -- is the reasoning employed consistent and logical?
- *Evidence* -- have data from the case, from personal experience, from general knowledge been employed to support the assertions made?
- *Importance* -- does the contribution further our understanding of the issues at hand? Is a connection made with other cases we have analyzed?
- *Clarity* -- is the comment succinct and understandable? Does it stick to the subject or does it wander?

Class attendance is an essential part of class participation. If a student misses more than 3 sessions, he or she will lose all the participation points.

COURSE GRADING POLICY

An Entrepreneur Report	10%
New Business Plan Report	30%
New Business Plan Presentation	10%
Exam	20%
Business Case Analysis	20%
Participation	10%

Description of Assignments:

Paper and Presentation Grading Guidelines:

“A” The student’s work is unusually excellent and superior to the work of others. In addition to meeting all requirements for the assignment, the work contains innovative and creative ideas not found in other students’ papers or presentations. The work demonstrates that the student has done extensive research, included numerous concepts from the text or course, and has invested a tremendous amount of time and effort into the work. There are no structure or grammar errors, the paper reads very smoothly, or the presentation skills are exemplary.

“B” The work is very good. In addition to meeting all requirements for the assignment, the work contains well thought out ideas and the student has applied many concepts from the text or course. The work clearly demonstrates the student has done obvious research and has invested significant thought and effort in the paper. The content is nicely structured and grammatically well done, or the presentation skills are very good.

“C” The work is good. It meets all the requirements for the assignment and has applied a few concepts from the text and course. The student has probably done basic research even though it is not very obvious. There appears to be a minimum of effort extended to produce the work. The work may have some structural and grammar problems but it is still possible to follow the content without difficulty. The presentation skills are adequate in that the listener is not distracted from the content.

“D” The work is below expectations. While it may or may not meet all the basic requirements for the assignment, there is no obvious evidence of any research or effort. Concepts from the text or course are either not obvious or are used incorrectly. Grammar mistakes are so prevalent that it is difficult to follow the content. Presentation skills are so poor that the listener cannot follow the content.

“F” The work does not meet the basic requirements for the assignment, was not presented, or was not turned in at all.

Forming Teams and Choosing a Business

During the first classes, you will be encouraged to network and get to know your fellow students in order to decide who you want on your team. During our second class you will form your own teams of four students.

Type of Business: The team will choose a type of business that you want to use for the Feasibility Report. This business must be legal, moral, and ethical. Students must exercise creativity in identifying unique business concepts. The product or service must be innovative; either a completely new product or service, or a dramatically improved product or service. Typical businesses such as restaurants, sports bars, hair salons, real estate brokerage are not acceptable,

unless you find a revolutionary way of changing the industries. The goal is to teach you to analyze the feasibility of any type of business by teaching you how to use the feasibility analysis tool; once you have learn how to conduct a feasibility study in our class you will be able to use it to analyze any kind of business product or service. A well-researched and written feasibility report will receive a high grade regardless of whether the business concept is feasible or not. My goal is that you learn how to conduct a feasibility study.

Protocols

Participation – includes your active participation in activities and exercises, questioning, professionalism, and contributions to discussions. Students who are consistently late, leave before the end of class, act unprofessionally, are disruptive, or are unprepared for class will also lose participation points. Students can lose up to 20% of their total points due to poor participation.

Peer Evaluation – Your Peer Evaluation scores will determine the percentage of the team’s Feasibility Report and Presentation points that will be awarded to you. Typically, if your peers rate your contributions at less than 90% of the available peer points, you will lose so many points that your final grade is lowered. To ensure this does not happen, read the chapters before class and comply with your team’s contract. Download the Peer Evaluation form from my website, fill it out and seal it in an envelope addressed to me; turn it in to me no later than the date your team gives your presentation.

COURSE CONTENT AND SCHEDULE (tentative, each module may take more than a week to complete).

Introduction

Course Syllabus: course overview, description of objectives, methods, assignments, and class norms, Introduction of participants

1. Entrepreneurship – the process & the person

Reading: The heart of Entrepreneurship (Reprint 85216)
Pre-Start Analysis: A Framework for Thinking about Business Ventures (9-386-075)

Case: Vermeer Technology (9-397-078)

- What decisions did Charles Ferguson make and what actions did he take, from late 1993 through January 1995 to build an enterprise that attracted an offer from a group of venture capital firms to invest \$4 million for 51% of the company?
- As Charles Ferguson, would you agree with the proposed deal?

Class Discussion Questions

- What are the typical images of entrepreneurs in our mind? What common characteristics do entrepreneurs share?
- What is the essence of entrepreneurship? Are you an entrepreneur? By what definition?

- What are the relevant attitudes, attributes, skills and know-how for start-up entrepreneurs?
- What motive people to become an entrepreneur?
- Compare and contrast these roles: managers, strategists, and entrepreneurs. How are they different?
- Are entrepreneurs born or made?
- What are the barriers to the pursuit of entrepreneurship?
- What determines successful entrepreneurship?
- What is the entrepreneurial process?

Team contract & Memorandum (due Feb 2)

2. Entrepreneurship – the Opportunity and the business model

Reading:

Knowing a winning business idea when you see one (Reprint R00510)
How venture capitalists evaluate potential venture ideas (9-805-019)

Case: ZipCar (HBSP [803096](#))

- Evaluate this potential venture and the progress that Chase has made.
- What is the business model, and how has it changed between December 1999 and May 2000? What do the data from actual operations in September say about how the business model is playing out in practice? Does the data give your comfort or concern?
- What actions should Chase take as a result of the September operating results?
- What is the strongest argument Chase could make to a potential investor about the attractiveness of this venture? What, specifically, should her elevator pitch be at the Springboard forum?

Team Assignments:

Statement of Interests.

Write a 2-page statement of interest for your new venture idea. This paper should state why you are interested in this business idea, how you see it positioned in the marketplace. Prepare a short presentation (one Powerpoint slide or Web page) as a summary to share with your colleagues. Please specifically address the following questions

1. What is your product or idea? Is your product or idea innovative?
2. What is the technology that underlies your product/ idea? Is your underlying technology unique?
3. Who is your market and initial customer group (who will buy it)?
4. What needs of your customers does your product or idea address (why will they buy it)?
5. Provide some indications of the general size of the market (i.e., numbers are not required).
6. What kinds of advantages does your product or service have as compared to competition?

Team Assignment: Opportunity statement

Prepare an “elevator pitch” to the class.

Discussion Questions

- What is the difference between an idea and a business opportunity?
- How do we evaluate a business opportunity? Do you see anything in common in terms of how VCs evaluate potential opportunities?
- What makes an effective elevator speech?

Individual Interview Report (due Feb 25)

3. The Business Plan

Reading: Business Plan (9-389-020)
How to write a great business plan (Reprint 97409)

Case: Heather Evans (9-384-079)

Assignment: Discussion Questions

- Evaluate the opportunity for Heather Evans
- Evaluate Heather Evans efforts to date.
- Evaluate the business plan
- Evaluate each of her financing alternatives
- Who should she approach and on what terms?

Team Assignment

- Develop a business plan template for the opportunity you choose your team pursue.
- Develop a business plan evaluation template.

Discussion Questions

- What are we looking for in a business plan?
- What purposes does a business plan serve?
- What are the typical pitfalls of a business plan?

4. Legal Framework – Legal form

Reading: Legal forms of business (9-898-245)
Legal Aspect of Entrepreneurship – a Conceptual Framework (9-802-161)
Legal Protection of Intellectual Property (9-898-230)

Case: Sheila Mason and Craig Shepherd (9-803 – 095)

- Evaluate the situation in which Mason and Shepherd find themselves with respect to their existing employers. What legal and ethical issues do you see and how would you advise them to proceed?
- Evaluate the non-disclosure agreement and its potential impact on venture capitalists considering an investment in Intelisoft. Do you think it is reasonable to expect potential investors to sign such an agreement? As a VC,

why would or wouldn't you sign? What are the effects of the "residual clause" suggested in Exhibit 4? Should Mason and Shepherd agree to this?

- Do Mason and Shepherd need a lawyer? How should they select one?
- What actions should Mason and Shepherd take in order to terminate their employment relationship with current employers?

Discussion Questions

- What are the various legal options for starting a business? How are they different? What are the implications?
- What are the legal issues an entrepreneur may face during the startup process?
- How to find, screen and eventually work with a lawyer?

5. Venture financing

Reading: Bootstrap financing (Reprint 92601)
A note on venture capital industry (9-295-065)

Case: ONSet Ventures (9-898-154)

- What is OnSet's model for the factors that create an attractive opportunity?
- Do you agree or disagree with each of the elements of this model?
- How much should Onset raise in this latest fund?
- Evaluate Onset's actions with respect to TallyUp so far. How should the firm deal with the issues presented at the end of the case?

Meeting with each team with regard to the business plan.

6. Venture Financing – Deal Structure and Terms

Reading: You can negotiate with venture capitalists (Reprint 87207)
Venture capital negotiation: VC vs Entrepreneur (9-800-170)

Case: Term sheet negotiation
(An Exercise: to be distributed in class)

Meeting with each team with regard to the business plan.

7. Entrepreneurial Marketing

Reading: Marketing Strategy: An Overview (9-500-005)

Team Assignment: Design a marketing strategy for your business opportunity

- Reaching your customers: methods of sales, promotion, and distribution.
- Branding, differentiation, and identity.
- How do you scale sales and promotion? Creating a strategy of first customers, segmentation, and long term growth.
- The key role of public relations, testimonials, and building legitimacy.
- How about pricing strategy?

Please make sure to prepare the marketing strategy in conventional way and non-conventional way (i.e., gorilla marketing etc..).

8. Managing Venture Growth

Reading: The challenges of growth (9-393-106)
Managing transition in growing enterprises (9-393-107)

Case: Johnsonville Sausage (A) (9-387-103)

- Has Johnsonville Sausage made the transition from entrepreneurial to professional management firm successfully?
- What changes in its firm and management would you cite as evidences of a transition?
- What pressures forced these changes?
- How should Ralph Stayer react to Palmer Sausage's request?

Team Assignment

- What are your growth strategies of the venture?

Discussion Questions

- What are the challenges an entrepreneur faces in a growing enterprise?
- How can an entrepreneur prepare for the challenges of a fast growing enterprise?

Course Wrap-up; Team evaluations and course suggestions due. Each person submits an evaluation of themselves and their teammates on the Business Plan projects. Allocate 100 points among the members to reflect overall contributions.

9. Business Plan Presentation

10. Final Test

Americans with Disabilities Act (ADA) Policy Statement

Reasonable accommodations will be made for students with documented disabilities. In order to receive accommodations, students must contact the Center for Disability Resources. The Center for Disability Resources (CDR) is located in Life Sciences Room 218, telephone 312 567.5744 or disabilities@iit.edu.