COURSE OUTLINE

Required Texts (on sale in the SSU Bookstore)
Case Studies—please download from the instructor's website)

Instructor’s website:  www.sonoma.edu/users/g/gilinsky/
Username:  gilinsky
Password:  snoopy

Required Readings (on reserve in the Jean & Charles Schulz Information Center)
Porter, “Competitive Forces That Shape Strategy”
Timmons, *New Venture Creation*

Recommended Readings and Subscriptions
Ronstadt, *Entrepreneurial Finance* (on reserve)

Because much of this course deals with current events, you are expected to keep abreast of current news by subscribing to *The Wall Street Journal*. For journalism-level information read *Inc.* magazine, *Fast Company*, and the *Wall Street Journal* (“Enterprise” section).

Course Objectives and Project
The objective of this course is to teach you to apply the skills you have learned in the functional areas toward the goal of starting a business, i.e., becoming an entrepreneur. Working in teams, you will learn to identify, conceptualize, plan, finance, launch, manage and harvest new ventures. Finally, intrapreneurship, the application of entrepreneurial methods of management to established organizations, will also be discussed. Class discussion, readings, case studies, guest speakers, interviews with entrepreneurs, and the course project are the learning tools. Your project is developed throughout this course and involves the comprehensive evaluation of an opportunity selected by your venture team.

Your venture can be a startup based upon your own idea; a corporate “new venture” project or product within an existing corporation; a buy-out of an existing business; a spin-off from an existing corporation; a business plan for a non-profit organization or public services agency; or a strategic plan for an existing corporation or a family business you plan to enter. Your course project may be self-initiated or chosen from a list of possible ventures provided by the instructor.

This should be a practical experience for you. Whenever possible, contact individuals with the proper expertise, e.g., to determine the cost of capital and collateral requirements for a
loan, speak to a venture capital firm or a bank; to determine the cost of a specific piece of
equipment, speak to an equipment supplier; to determine the feasibility of market entry, visit
competing businesses, etc. Seek out both primary and secondary sources of data, particularly
for the marketing section of your business plan. Consider doing a survey or conducting a
focus group to gain necessary consumer information. You must quantify the size of your
total market and target market subsets. Use both the hard copy reference books and the
electronic databases (e.g., Lexis/Nexis and Dow Jones Interactive) in the Schulz Info Center.

Course Requirements & Grading

Written case analysis (Issue Briefs—see pp. 9-10 for guidance).........................30%
Course project (see pp. 5-8 for individual assignments and weights)......................60%
Class participation, attendance and preparation (see pp. 10-11 for guidance) ......10%

Total..........................100%

Course Calendar

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<tr>
<th>Week</th>
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<th>Topic</th>
<th>Reading/Assignment</th>
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| 1    | 8/28 | Syllabus; Scoping Opportunity                              | Syllabus
<pre><code> |      | Preview Assn #1                                           | Intro lecture, *Dead Poets' Society* (video, in class)   |
 |      |                                                            | “McFax” (in-class, see p. 12)                           |
</code></pre>
<p>| 2    | 9/4  | Entrepreneurship as a Career; Definition of Entrepreneurs | Hisrich &amp; Peters: Ch. 1                                 |
|      |                                                            | “Small Wins” (course packet)                            |
|      |                                                            | ASSN. #1: Résumé &amp; Career Goals; Class Cards            |
|      | Idea Generation                                           |                                                        |
| 3    | 9/9  | Idea Generation                                           | Hisrich &amp; Peters: Ch. 5                                 |
|      |                                                            | “John Morse” (Case packet)                              |
|      |                                                            | ASSN. #2: Issue Brief                                   |
| 4    | 9/16 | Types of Entrepreneurs; Lifestyle, Social &amp; Rapid Growth Ventures | Hisrich &amp; Peters: Chs. 2&amp;3                             |
|      |                                                            | ASSN #3: Interviews with entrepreneurs                |</p>
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| 5    | 9/23 | Screening Venture Opportunities | Timmons: pp. 81-86 & Ch. 4  
ASSN. #4: Venture Screen |
| 6    | 9/30 | Creating the Venture Team; Leading v Managing; Crisis Management | Hisrich & Peters: Ch. 6  
“MBA Polymers, Inc. (A)” (case packet)  
ASSN. #5, Creating the Venture Team (in class); Team Scope of Work  
ASSN. #6: Issue Brief |
| 7    | 10/7 | The Business Plan | “The Business Plan” (case packet)  
Hisrich & Peters: Ch. 7  
“Gourmet to Go” (Hisrich & Peters, pp. 348-356)  
ASSN. #7: Issue Brief |
| 8    | 10/14| Analyzing Industries and Competitors; Competitive Strategy | M. Porter, “How Competitive Forces Shape Strategy” (case packet)  
“Mendocino Brewing Company” (case packet)  
ASSN. #8: Issue Brief |
| 9    | 10/21| Industry Analysis | ASSN #9: Industry Analysis |
| 10   | 10/28| Market Analysis & Justifying the Top Line Forecast | Hisrich & Peters: Ch. 8  
“Nadir Corporation Ltd.: the Ultrasonic Washing Machine” (case packet)  
ASSN. #10: Issue brief |
<p>| 11   | 11/4 | Market Research | ASSN. #11: Market Research report |</p>
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<tr>
<td>12</td>
<td>11/11</td>
<td>Legal Structure; Bankruptcy; Going Public; ESOP’s; Financing the New Venture &amp; Valuation</td>
<td>Guest speaker: TBA</td>
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<td>Hisrich &amp; Peters: Ch. 10 (pp. 305-318 only), 11 &amp; 12 “Multimedia Live” (case packet) ASSN. #12, Issue Brief</td>
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<tr>
<td>13</td>
<td>11/18</td>
<td>Financial Ratio Analysis; Pro Forma Modelling</td>
<td>Hisrich &amp; Peters: Ch. 9 “Analyzing the Firm’s Financial Health” (case packet) “Hot &amp; Quick Coffee Company” (case packet)</td>
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<tr>
<td>14</td>
<td>11/25</td>
<td>Intrapreneurship; Managing Rapid Growth</td>
<td>Hisrich &amp; Peters: Chs. 15-17 Case/Guests TBA Sign up for team conferences with instructor</td>
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<tr>
<td>15</td>
<td>12/2</td>
<td>Discuss Final Projects (team conferences with instructor)</td>
<td>ASSN #13, Pro Forma Forecasts due</td>
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<td>16</td>
<td>12/9</td>
<td>Present Final Projects Course Evaluations</td>
<td>ASSN #14: Compilation</td>
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ASSIGNMENT DESCRIPTIONS, DUE DATES, AND WEIGHTS

Please type and double-space all assignments except for issue briefs, which may be single-spaced and sent as e-mail messages. Make an extra copy of each assignment for your records. Late assignments will be penalized one full grade level per day (for example, an A would be lowered to a B, and so on). Course grading weights are indicated.

1. **Sep 4—Résumé and Career Goals (Grade weight = acceptable or do over)**
   Your résumé and career goals for the next three years and ten years are due. Also name at least two career/life role models and explain why you desire to emulate them. List your favorite book, movie, television show. Describe a personal accomplishment of which you are most proud. What industry would you like to work in and/or start your own business? Is there a particular business for which you would like to work?

2. **Sep 9—“John Morse” Issue Brief (Grade weight = 5%)**
   You should me send electronically (via e-mail) a typed outline or condensation of your case analysis, stating your perception of the underlying problem, some supportive data, and your recommended plan(s) of action. This 1-2 page “issue brief” should serve as a personal document from which you can lead a class discussion. *Future issue briefs should be prepared by your venture team.* Read the John Morse (JM) case and be prepared to comment on:
   1. The stronger and weaker points of the way he performed his search.
   2. Which idea sources seemed to pay off best for him.
   3. Which of the ideas he found seems to be most promising and why.

3. **Sep 16—Interviews with Entrepreneurs (Grade weight = 5%)**
   Each individual must interview three small businessperson(s) or entrepreneur(s). Your interviews should cover the following three (3) questions: 1) How did you come to perceive your personal opportunity and to act on it (and what encouraged or deterred this)? 2) How do you see yourself fitting the stereotypical profile of a(n) small businessperson or entrepreneur (or do you see yourself in any different light)? 3) What do you consider to have been the critical success (and critical *failure*) factors for your venture opportunity? Your write-up of each interview should be no more than one (1) double-spaced and typed page.

4. **Sep 23—Venture Opportunity Screen (Grade weight = 5%)**
   Each student must do a Venture Opportunity Screen of her/his best idea. Use the idea generation exercise on pages 81-86 of the Timmons text to help get you started. Ideas are not limited to new startups, but can include any of the venture options mentioned earlier. Individuals will be picked at random to present their ideas. Use the Venture Opportunity Screening Guide in Chapter 4 of the Timmons book to assist you with this assignment. These guides will help you ask the right questions. Your Venture Opportunity Screen should be 4 to 5 double-spaced and typed pages and written in the form of a prose evaluation. Do not copy and fill-in-the-blanks of Timmons’ Screening Guide. *This is not...*
acceptable. The Screen for your opportunity should contain a section that outlines your planned Scope of Work, what key questions you believe have to be answered, and how you will go about answering them. A Screen which indicates that the opportunity is not worthy of further pursuit is an acceptable outcome. Essentially, a Venture Opportunity Screen is a quick evaluation of an idea to determine if it represents an opportunity worth pursuing. After reviewing your business plan workbook, write down the pros and cons of everything you know about your idea without doing any in-depth research. Try to address major “yes or no” questions which will help you determine if this is the right opportunity for you. For example: is this a lifestyle or rapid growth venture? Will this business allow me to keep my travel to a minimum, to live where I want to live, to come into contact with people I respect?

5. **Sep 30 — Creating the Venture Team (Grade weight = acceptable or do over)**
Each student must join a team composed of 2-4 students. These teams must meet and select, from the Venture Screens prepared by each student, which one opportunity the team will further develop for the rest of this course. This should be a lively session, with each group member campaigning for the selection of his/her opportunity. At some point every entrepreneur must attract other key players to their team. The ability to inspire someone to see your vision and dream your dream is a vital skill. *Teams cannot exceed four students without my permission.* Each team must submit a roster of their team and a planned **Scope of Work** for developing their opportunity. This Scope of Work must be expanded from what was submitted in the original Screen and must include the primary responsibilities of each team member. *Groups will be picked at random for brief oral presentations of later assignments.*

6. **Sep 30 — “MBA Polymers, Inc. (A)” Issue Brief (Grade weight = 5%)**
Written case analysis (issue brief) due from each venture team. Study questions for the MBA case are below:

1. Prepare MBA’s response to the events of October 26, 2000. How would you advise management to handle the situation and its aftermath?
2. Evaluate MBA’s competitive strategy in light of the forces shaping the emerging plastics recycling industry. Is this an attractive industry? Does MBA possess any competitive advantages?
3. Can MBA be considered a “socially responsible” company? Why or why not?

7. **Oct 7 — “Gourmet to Go” Issue Brief (Grade weight = 5%)**
Written case analysis (issue brief) due from each venture team. Study questions for the GTG case are below:

1. What do investors/lenders look for in a business plan? What does it look like? Should it contain?
2. How does GTG’s plan stack up? Where do you see areas of strength? weakness?
3. What is the value of this opportunity? Evaluate the “deal” — what amount and on what terms would you invest in this venture?
4. What lessons did you learn about putting together a business plan that can be applied to your chosen venture?

8. **Oct 14 — “Mendocino Brewing Company” Issue Brief (Grade weight = 5%)**
Written case analysis (issue brief) due. **Be sure** to do the industry/competitive analysis, using the Michael Porter “Five Forces” (on reserve) reading as a guide. Study questions for the MBC case appear below:

1. How would you rate the attractiveness of the beer industry?
2. Who are MBC’s best customers? Who are its best targets given the products and competition?
3. How should MBC choose the best strategy given its desired position in the industry?
4. Where is special attention needed for greater success?
5. How should Laybourn and his team proceed?

9. **Oct 21 — Industry Analysis (Grade weight = 10%)**
Industry analysis on your venture opportunity is due. Use the reading on “How Competitive Forces Shape Strategy” by Michael Porter and your business plan outline to guide your efforts. The industry analysis should be 3-5 pages, summarizing your key findings. One submission per team, please. If you disagree with your team’s assessment, you may submit a “minority report” under separate cover.

10. **Oct 28 — Nadior Corporation Ltd. Issue Brief (Grade weight = 5%)**
Written case analysis (issue brief) due from each venture team. Be sure to fill out Tables 1 & 2 (which will be handed out in the prior week’s class) with your “best guesses” or estimates. Turn in your forecasts with their justification in the Issue Brief. We will compare your answers in class. Study questions for the Nadior (NAD) case appear below:

1. What are some forecasting techniques that can be used to build credibility for a venture?
2. What are the pros & cons of each forecasting method?
3. You are on Edward Foster’s product launch team. What assumptions do you need to make in preparing your forecasts?
4. As a member of Foster’s team, how does your background/training affect your perceptions of the new product line’s likelihood of acceptance in the market?
5. How should Foster and his team proceed? Which strategy (i.e., skimming v. market penetration) would you recommend to Nadior’s top managers?

11. **Nov 4 — Market Research Report (Grade weight = 10%)**
Market research report for your venture is due, including description of niche and targeted segments, size of each segment, description of unique product or service advantages, pricing comparisons, and a top line forecast by units and dollars. **Revenue forecast should be by quarters for three years.** Your market research report should be 4-6 pages, summarizing your key findings. Charts and graphs are often useful means of summarizing data for this report. A convincing top-line forecast is the most important component of most business plans. The top line is made believable by a solid industry analysis and a comprehensive market analysis. Be sure to include in your top line justification
substantive proof that there is a market niche for your product or service and that you
will better serve its needs. Justify your projected market share. Describe the
demographics of your targeted market segments. Is your market growing, stable, or
decreasing? What are the other significant trends in the market with regards to economic
forces, competition, government regulations, technology, etc.? What are your proposed
entry and pricing strategies? What are your sales and distribution plans? What will be
your positioning versus the competition? What barriers to entry will you have to
overcome? erect to prevent other players from entering?

12. Nov 11 — Multimedia Live Issue Brief (Grade weight = 5%)
Written case analysis (issue brief) due from each venture team. See study questions for
the MML case below:

1. Describe Ken Burke’s strategic options for harvesting MML. What are the pros and cons
   of each strategy?
2. Evaluate MML’s business strategy. How successful has the strategy been so far?
3. How should Burke proceed?

13. Dec 2 — Pro Forma Forecasts (Grade weight = 10%)
Pro forma financial statements due. Present your income statement, balance sheet, and
cash flow statements for three years by quarters. For the income statement, include a
column at each year-end that shows totals for the year and another column that shows
each line item as a percentage of net sales for the year. Do the break-even analysis.
Perform ratio analysis for each of the three year-end periods. Include a separate page that
documents all of your assumptions. In a paragraph or two, address whether or not you
still perceive your venture to be feasible. If it is, outline possible financing strategies.
Describe what reward streams your venture can create and on what terms you might
exchange these with potential investors.

14. Dec 9 — Compilation & Presentation of Final Projects (Grade weight = 20%)
Final projects due. Each venture team will make a ten (10) minute presentation on its
chosen opportunity, followed by a five (5) minute Q&A session. This session will likely
be judged by external entrepreneurs and financiers, so be prepared to be punctual,
polished and professional. Prepare a one page Executive Summary of your project for
duplication and distribution to the audience. The final project submission is an
enhancement and compilation of all previous assignments. Your previous assignments
make up the key components of any business plan for a new venture. None of you will
have the time to do a complete business and operating plan, which typically takes
250–500 hours for anything larger than a lifestyle venture. What additional sections you
choose to add and/or emphasize is up to your discretion, since the correct choice will
depend on the nature of your venture. Each team must include a section that briefly
describes what additional information would have been included had there been
sufficient time to complete their business plan.
Written case analysis (Grade weight = 30%)
In order to create opportunities for us to explore more basic entrepreneurship issues and discuss methods of implementation that might otherwise have to be rushed, we will be using an electronic submission format for issue briefs. With the exception of the John Morse case, all issue briefs should be submitted by your venture teams.

Please submit your Issue Briefs as an attached MS Word document via e-mail to my e-mail address, armand.gilinsky@sonoma.edu. The subject line and file name should read like this: <CaseAbbrev.yourlastname(s).doc>. For example, when submitting the “John Morse” case Issue Brief, I would type “JM.Gilinsky.doc” in the subject line of your message and as the file name for the Word document. When composing your Issue Brief, use the following format:

1. Indicate your key case decision (what the entrepreneur needs to do now and why—one sentence)
2. Support your decision by three (3) bullet points
3. Add any qualitative and/or quantitative comments/discussion which you feel is/are necessary to substantiate your analysis. (one or more paragraphs—no page limit)

Electronic case analyses are due by 8:00 a.m. on class days upon which Issue Briefs are assigned (see Assignments). Your timely submission of Issue Briefs will facilitate compilation of the results of case analysis as well as a summary of your qualitative/quantitative comments. You should always keep a hard copy of your Brief for yourself and bring this to class. Grading and feedback on your Issue Briefs will be returned to you as soon as practicable.

Your “Issue Brief” should serve as a personal document from which you could lead a class discussion. Acceptable Issue Briefs are given a “check,” which is roughly equivalent to a “B” grade. Unacceptable or late submissions will be assigned a “check minus,” roughly equivalent to a “C” grade. Briefs not submitted on the date due for any reason will be assigned an “F” grade. An outstanding effort will receive a “check plus,” roughly equivalent to an “A” grade.

Suggested guidelines for approaching a case
In approaching a case, keep in mind that there is no single, right solution. Each case describes a complex situation and there may be a number of equally valid analyses. 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. You may want to consider the following factors in your analysis. The list below is far from complete, but I hope it will be a helpful start.

1. What is the problem—or problems? You may want to list the problems and prioritize them. Are the problems short-term, long-term, new to the organization, chronic, etc.?
2. What is the time framework? How urgent is the situation?
3. What is the nature of the organization? Who are the key people involved? What are the key relationships?

4. What industry, competitive, economic factors/trends are significant? How do they influence the current situation? How do they influence future action?

5. What financial information is important (costs, cash flow, margins, etc.)? How do these data impact your analysis and recommendation?

6. What are the significant marketing considerations? What is the product or service? Who is your market? How do you price, promote, distribute?

7. What are the significant production/operational considerations? How and where do you produce? Are the operations labor-intensive? capital-intensive? What lead times are required?

8. What are the key leadership issues? possible organizational structure configurations? human resource management issues? How do these impact on your course of action, particularly in its implementation?

9. What business are you in? What is the organization’s strategy? Is it consistent across functions? What are the risk of/potential rewards from retaining this strategy?

After analyzing the case, generate as many solutions as you deem appropriate. Consider the risks/tradeoffs involved in each alternative and then decide what you would do in the situation and why. What is your plan of action? (be specific) How are you going to implement it? (be specific) Be prepared to support your recommendations, but remain open to different, possibly better ideas.

Class preparation, attendance and participation (Grade weight = 10%)

Class participation will count for 10% of your grade (see below for guidelines). Attendance will be taken. Each student is permitted two unexcused absences. Venture teams will be selected at random throughout the semester to make a 7–10 minute presentation on their findings for each interim assignment. We will not have time for every team to make a presentation on each assignment. An entrepreneur must always be prepared to discuss the latest evolution of her/his venture with a potential ally, team member, or source of financing.

Participation and contributions to class dialogues are evaluated on the basis of the following:

1. an understanding and appreciation of the selected readings and case studies,

2. analysis of case data using the tools and techniques developed in the lectures and the readings, and
3. recommendations for management decision and action which arise from analysis.

Below is a checklist to help you evaluate and improve your effectiveness in class discussions:

___ Are you a good (active) listener?

___ Are the points that are made relevant to the discussion? Are they linked to the comments of others?

___ Do the comments add to our understanding of the situation?

___ Do the comments show evidence of analysis of the case (case preparation)?

___ Do you distinguish among different kinds of data such as facts, opinions, beliefs, concepts, etc.?

___ Is there a willingness to share?

___ Is there a willingness to test new ideas, or are all comments made "safe"? (An example of "safe" comments is repetition of case facts with no analysis or conclusions.)

___ Are you willing to interact with other class members?

___ Do your comments clarify and highlight the important aspects of earlier comments and lead to a clearer statement of the concepts being covered?

My assessments of your participation will be made on the basis of your preparedness for class, your responses to questions that arise in dialogues, as well as your voluntary participation.
McFAX

In the garage of their home in Santa Rosa, two friends of yours who were Physics majors at SSU have invented a prototype of a new kind of fax machine by combining a portable microwave oven, portable fax machine, and a black box full of microprocessors, coils, and wires. What’s unique about this device is that it enables the user to order and receive Big Macs in their cars via teleportation. It’s also small enough to fit under the dashboard of your car, and can be powered via a special connecting cable to the car’s cigarette lighter socket. A prototype of a larger, commercially-sized microwave oven unit has been successfully tested for transmitting Big Macs.

Today is your lucky day! Your friends have asked you if you would be willing to take their device and help them build a business based on it. They have promised you exclusive rights to their technology if you can secure the financial resources to produce and sell their device.

There is a slight defect in their device: the atomic structure of a Big Mac is altered each and every time it is sent and received. So far, the hamburgers come out looking the same, but chemical tests have determined that the buns lose most of their fiber content and the sugars turn to cyclamates, a possible cancer-causing agent. Furthermore, there is evidence that the chemical composition of the steroids (used to fatten the cattle) are catalyzed into derivatives of polyvinyl chlorides (PVCs), also potential carcinogens. Chemical analyses of the lettuce, pickles, and ketchup are not yet complete.

Study Questions

1. What is the basic conflict or issue that you have to address when you have an entrepreneurial opportunity?

2. What is the entrepreneurial decision that needs to be made now?

3. Which internal factors or external forces would influence (a) the resources needed? (b) your choice of resources? How so? Are there important social considerations? What are these?

4. What information do you need in terms of numbers in order to place a value on this business? What are your anticipated financing needs? What are your options for obtaining funds? What returns or reward streams can investors/lenders expect? What are the advantages and disadvantages of going public now? How do you know?

5. How would you rank this opportunity compared to your envisioned venture plan?

This case study was prepared by Armand Gilinsky, Jr., Associate Professor of Business at Sonoma State University, as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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