

MGMT 427
Managing an Entrepreneurial Start-up
Spring, 2018
T 6:00-8:00pm Room 006 Business Building

Professor Tim Pollock

Office: 417 Business Building

Office Phone: 863-0740

Email: tpollock@psu.edu

Office Hours 4:00-5:00 T and by appointment

COURSE DESCRIPTION:

The long-term strength of the US economy depends on the continual creation of new entrepreneurial companies. This course is intended for those students that plan at some time to start or join a young company, help spin-out a company from a major corporation or University, or enter the venture capital sector that funds such companies.

Start-up companies have a high failure rate. Acquiring and balancing limited resources, changing direction quickly, building a coherent team, managing intellectual property, and creating new markets all test a wide range of managerial skills not usually demanded in one person within a larger organization. Whereas a large company has a strong and well-defined structure and ample resources to deal with unexpected challenges, a start-up usually has insufficient resources and/or management experience, and yet must deal on a daily basis with important and often unpredictable forces. You will be exposed to these tensions and what it is like to start and grow a new company.

Entrepreneurship is often described as the ability to deal with ambiguity or seeming paradoxes. Each of the management themes analyzed in the course are couched in terms of the ambiguity and paradoxes you will face. Thinking about how to manage these challenges will help you develop the skills to be able to deal with uncertainty under stress, a valuable management attribute.

This course takes you through all the key phases of a start-up from opportunity identification, company formation, planning, bootstrapping, raising different kinds of financing, recruiting, building a team and unique culture, negotiating, storytelling, dealing with the various changes you will face and balancing all the competing pressures and interests you must deal with. This course emphasizes the MANAGEMENT of early stage, fast-growing companies. Thus, this course focuses mainly on the issues of start-up leadership. After all, it the founder's management inexperience more than the business idea that typically leads to the high failure rate for start-ups.

This course is built around a real case: Neoforma Inc. You will follow this company from its inception to its eventual sale to a large company via a first-person account written by one of its

founders, Wayne McVicker. After reading and analyzing the events involved in Neoforma's start-up, you will be asked to apply your insights in handling related cases and scenarios.

This course is open to all Undergraduates from any College on campus who have taken MGMT 425 and is required for CIENT majors. Many of the class activities will be conducted in teams. Thus, you will likely be on a team with individuals whose backgrounds and domains of expertise are very different than your own.

The syllabus is constructed around the principals of Problem-Based Learning. Class sessions will be in a workshop or seminar format, where you will be expected to develop and present your ideas in written and oral formats, comment on cases, solve problems, and pose questions from the reading materials. Do not expect to be solely through lectures; rather you will learn by experiencing and contributing to discussions of real situations. Depending on their availability, I will invite entrepreneurs to come to the class sessions to share their own experiences.

REQUIRED COURSE MATERIALS:

This course will use as its text a monthly diary of Neoforma, published by one of the founders, Wayne McVicker. The book is entitled *Starting Something* (ISBN 1-932881-10-26) and is a **mandatory text** for the course. **(A paperback version has been ordered by the Penn State Bookstore).**

In addition, many of the key participants in the Neoforma story graciously agreed to be interviewed and video recorded for this course. You will therefore have the opportunity to see and hear them reflect on each of the critical situations with which you will be confronted so you can experience the complexity of decision making and stresses imposed on the principals. Each assignment requires reading selected diary chapters and reviewing video clips from both insiders and outsiders close to the company. Links to each week's video are provided in the weekly topic folders on Canvas. You can stream them or download each file. Most weeks you will also answer a set of questions about the readings and videos that require you to demonstrate critical thinking skills and the ability to convey your ideas and insights through both written and oral communications.

There are also some content readings on specific topic areas that you will be expected to prepare each week. **These readings are available in a course packet at the University Bookstore. You are required to purchase this course packet.** There will also be a few readings made available to you on Canvas for specific classes.

GRADING:

Grading is based both on team and individual efforts as follows:

Class Contribution	25%
Written Team Assignments and Presentations	45%
Individual Written Assignment	30%

Grading Scale

A > 92	C 73-76.75
A- 90-92	C- 70-72.75
B+ 87-89.75	D+ 67-69.75
B 83-86.75	D 63-66.75
B- 80-82.75	D- 60-62.75
C+ 77-79.75	F < 60

1. Class Contribution. The best comments demonstrate that you can do three things:

a. **Listen** – Your comments should fit into the discussion by being based on the previous comments of your classmates. Hint: Comments which begin by paraphrasing a classmate’s prior comment can be especially effective, e.g., “Eva’s comment about the “not-invented here syndrome...”. However, giving the same response a classmate has just given shows you weren't listening. You need to add something new to the conversation.

b. **Think creatively, critically and analytically** – Simply regurgitating case facts is not analysis. I will be looking for you to interpret and draw insights and conclusions from the course material, and apply concepts from the readings to understand the underlying the incidents described.

c. **Pose critical questions** – Too often we seek answers, rather than good questions, and asking critical, probing questions is a key skill entrepreneurs need to develop if they are going to successfully navigate the complexities and ambiguity of starting a new company.

d. **Articulate** – This is extremely difficult to do and requires practice. It is particularly important for an entrepreneur who is constantly trying to get others to do something they may not be inclined to do (i.e., take a risk on them). Our class will be a safe environment for sharpening these skills. Be concise and to the point. In particular, there may be visiting entrepreneurs to this class, and you will be expected to engage them in dialog and ask probing questions.

2. Written Team Assignments and Presentations. There will be nine weekly short presentations due from each team after the first three weeks of the course. During this initial introductory period you will read the book *Starting Something* so that you understand the story and get acquainted with the key characters. You will work in teams for these assignments. **Every team will prepare a power point presentation and supporting commentary each week and upload it to the drop box on Canvas by 5:00pm Tuesday (one hour BEFORE the start of class).** The power point slides should convey your arguments and main points. You will use the notes function to provide more detailed written information that underlies your thinking. All team members are expected to contribute to both the slides and written material each week. The written notes will be in complete sentences and will expand on and develop the ideas presented in the slides,

not just repeat the same information. Each week one team will be selected to present their analysis for class discussion. I will grade the presenters' slide show and notes, and the slides and notes for two other groups each week, so that **over the course of the semester every group will be graded on three sets of slides and notes**. You will not be notified in advance which team will present or which teams' assignments will be graded, so come prepared each week and be ready to talk. Dealing with uncertainty and being ready to go at a moment's notice is part of being an entrepreneur. This format helps you become accustomed to this circumstance.

Just like in a start-up, sometimes things don't work out with certain team members; they may not do their share of the work, or they perform at a substandard level. So, just like in a real start-up, your group will have the option to "fire" a team member. The process is as follows: 1) You will make the team member aware of the specific ways in which he or she is failing to perform and will give them opportunities to improve; 2) You will make me aware that there are issues with a team member's performance and let me know what steps have been taken to help the team member improve his or her performance; 3) If the team member's performance fails to improve, the group will let me know and can ask to fire the team member. If I approve the firing the fired team member has two options: 1) Get another group to "hire" them and complete the semester with that team; or 2) Complete all the remaining group assignments by him- or herself.

3. Final Written Assignment. This will test the complete course material and will be an *individual assignment*. ***You are not to discuss the assignment with anyone but me.*** I will present you with several scenarios that founders of start-ups typically face and ask how you will address these issues. You are expected to show insights and critical thinking in addressing these issues and explaining *what you would do and why* in each situation. This is a take-home, open book and open note assignment that will be due on the last day of class. **It must be uploaded to Canvas by 5:00pm the last day of class. If your assignment is not uploaded to Canvas before class begins and you sit through the final class session where the answers are discussed, you will receive a zero for this assignment.**

4. Technology Policy. The technology policy in this class is that **computers are to remain closed and phones are to be set on vibrate or turned off and put away for the duration of the class session**. We only meet once a week, and there is no text or email so important that you can't wait until after class to respond to it. I also post all of my slides after class is over, so you will have access to them. I encourage you to take notes in class, and research has shown that hand writing notes leads to more effective learning than typing them. The reasons I have implemented this policy are two-fold: First, engaging with others in the class is a crucial part of the learning process; if you are distracting yourself with other things then you aren't engaging with your classmates, and if you are distracting your classmates because you are doing other things then they can't engage with their classmates as effectively, either. Second, it is rude. The message you send to whoever is speaking, whether it is me or one of your classmates, is that whatever's on Facebook, Instagram or ESPN.com is more important than what the person has to say. If that's how you feel then stay home, surf the web to your heart's content, and accept the

consequences of your absence. If you choose to attend class, then I expect you to extend the courtesy of your attention to everyone there and to avoid engaging in behaviors that distract them. **If I do see you using your computer or phone during class time, your class contribution grade for that day will be penalized.** If you contributed to the class discussion, you will be graded as if you attended but didn't contribute. If you did not contribute to the class discussion, you will be graded as if you were absent. If you have a family emergency or some other reason you might need to accept a call during class, that's fine. Let me know ahead of time and then step out of the room when you receive it.

SYLLABUS DETAILS:

Note: the content of each class may change due to the availability of guest presenters.

Week One: Introduction to the Course

Readings:

During weeks 1-3 all students will “skim read” the book

Week Two: Creating and Seizing Opportunity

Readings:

Bhide: How Entrepreneurs Craft Strategies that Work

We will form groups this week

Week Three: Storytelling

Readings:

Gallo – selections from “The Storyteller’s Secret” (On Canvas)

Week Four: The Entrepreneurial Mindset

Exercise 1: Situation Analysis, Mindset Paradoxes

Readings:

Kuemmerle - A Test for the Fainthearted
See Chart for Neoforma readings and videos

Complete Locus of Control and Tolerance of Ambiguity Scales and bring results to class (on Canvas)

Week Five: Networking

Exercise 2: Situation Analysis, Networking

Readings:

Uzzi & Dunlap: How to Build your Network
See Chart for Neoforma readings and videos

Week Six: Bootstrapping

Exercise 3: Situation Analysis, Bootstrapping

Readings:

Bhide - Bootstrap Finance: The Art of Start-ups
See Chart for Neoforma readings and videos

Week Seven:

Negotiating with Others

Readings:

Fischer, Ury & Patton: Getting to Yes Chapter 1 – Don't Bargain Over Positions

In-class negotiation exercise. No preparation required

Week Eight:

Raising Capital

Exercise 4: Situation Analysis, Angels

Readings:

Angel Investors Overview (on Canvas)
Working with Angel Investors (on Canvas)
See Chart for Neoforma readings and videos

Week Nine:

Partners

Exercise 5: Situation Analysis, Choosing a Partner

Readings:

Partnering Decisions (On Canvas)
See Chart for Neoforma readings and videos

Week Ten:

Culture

Exercise 6: Situation Analysis, Creating a Culture

Readings:

Christensen: What is an Organization's Culture?
Kaplan & Warren: Developing a Strong Corporate Culture (On Canvas)
See Chart for Neoforma readings and videos

Week Eleven:

Hiring & Firing

Exercise 7: Situation Analysis, Hiring and Firing

Readings:

Fernandez-Araoz: Hiring Without Firing
See Chart for Neoforma readings and videos

Week Twelve:

Managing Change

Exercise 8: Situation Analysis, Managing Change

Readings:

Wasserman - The Founder's Dilemma

Horowitz – Why we Prefer Founder-CEOs (On Canvas)

Hoffman – Why and How Founders Should Hire a
“Professional” CEO (On Canvas)

See Chart for Neoforma readings and videos

Week Thirteen:

VCS, IBs and Ethics

Exercise 9: Situation Analysis, Ethics

Readings:

Kaplan & Warren: Conflicts of Interest (on Canvas)

See Chart for Neoforma readings and videos

Week Fourteen:

Summary of Course

Final Project: Open Book Final Essay Assignment Due

<p style="text-align: center;">This chart is the guide to weekly readings and videos to be studied PRIOR to class discussions.</p> <p style="text-align: center;">(Note: there is some repetition as the material may be related to more than one topic).</p>									
Week	4	5	6	8	9	10	11	12	13
Topic	Mindset	Networks	Bootstrapping	Angels	Partners	Culture	Hiring & Firing	Change Management	VC's & Ethics
Video	The Mindset, the Passion, the Idea. Do you have what it takes?	Seven Degrees of Separation	Your Money, My Life: the Pros and Cons of Bootstrapping	Angels: more than just Investors	The Ying and Yang of Business	Culture: Invisible, Intangible, Important	Using your Head and Trusting Your Gut	Change Management. OK, you've arrived, now step aside.	VC's & Investment Bankers: When the Stakes get high, Ethics get low.
Book Chapter									
Inking It	X		X						
The Prequel	X				X				
The Frontier	X		X						
Borderline							X		
Two Worlds						X			
Casting							X		
Confidence	X								
The Majors -Pt 1									
The Contract			X						
The Mentor		X		X					
Angels		X	X	X					
The Audience	X								
A Square Peg		X							
The Producers		X		X					X
Top Billing	X		X	X	X				
The Web		X							
Tweening			X						
East Meets West	X				X			X	
The Screenplay		X		X					
Identity		X		X					
A Hard Landing									X
A Round Hole				X					X
Public Relations		X		X	X				X
Walla					X	X	X		
Spinning Rooms			X						
A Flashback	X					X			
A Classic Scene		X					X		
Focus						X		X	
Make-up and Hair					X		X		
Bluescreen		X			X				
The Coup					X				X
Discontinuity								X	
The Masters							X		
The Star		X					X	X	
The Cast							X	X	

Pick-ups						X			
The Ramp				X	X				X
Starving Artist									
The Premiere									X
Fortune									
Fame						X			
The Majors -Pt 2									
Cliffhanger							X		
Royalties					X				
Continuity						X			
The Sequel	X							X	

UNIVERSITY POLICIES

ACADEMIC INTEGRITY

According to the Penn State Principles and University Code of Conduct:

Academic integrity is a basic guiding principle for all academic activity at Penn State University, allowing the pursuit of scholarly activity in an open, honest, and responsible manner. According to the University's Code of Conduct, you must neither engage in nor tolerate academic dishonesty. This includes, but is not limited to cheating, plagiarism, fabrication of information or citations, facilitating acts of academic dishonesty by others, unauthorized possession of examinations, submitting work of another person, or work previously used in another course without informing the instructor, or tampering with the academic work of other students.

Any violation of academic integrity will be investigated and, where warranted, corrective academic and/or disciplinary action will be taken. For every incident where an academic sanction or warning is assessed, an Academic Integrity Form must be filed. The procedures and form can be found on the Smeal College website at this URL <http://www.smeal.psu.edu/integrity/integrity-violation-processes>. This form is to be used for undergraduate courses. The report must be signed and dated by both the instructor and the student, and then submitted to the office of Jeff Sharp, Associate Dean for Undergraduate Education, 202 Business Building.

Smeal Honor Code:

We, the Smeal College of Business Community, aspire to the highest ethical standards and will hold each other accountable to them. We will not engage in any action that is improper or that creates the appearance of impropriety in our academic lives, and we intend to hold to this standard in our future careers.

PLAGIARISM / COPYING

All work you submit for grading or academic credit is designed to reflect your knowledge and skill related to the course subject matter. Therefore, unless otherwise indicated, all work submitted is to be done on an individual basis. This includes but is not limited to all exams, quizzes, homework, papers, written assignments, and presentations.

Plagiarism is claiming work as your own that you have copied from another person, whether that other person knows about it or not. This includes copying from web sites without proper source citation and using homework or papers prepared by current or past students whether working as an individual or working in a group / team.

DISAGREEMENTS OR COMPLAINTS RELATING TO PENN STATE COURSEWORK, THE INSTRUCTOR OR A FELLOW STUDENT

In the event you have a class related disagreement or complaint with the instructor or fellow student, you are advised first to address the matter with the course instructor privately. If the matter remains unresolved, you may contact the department chairperson

of the departmental unit offering the course. Only after these steps have been followed may the Dean's Office be able to engage its authority to resolve the matter. Each party is encouraged to resolve the dispute with those immediately involved.

AFFIRMATIVE ACTION & SEXUAL HARASSMENT

The Pennsylvania State University is committed to a policy where all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by Commonwealth or Federal authorities. Penn State does not discriminate against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, gender, sexual orientation, or veteran status. Related inquiries should be directed to the Affirmative Action Office, 328 Boucke Building.

STUDENTS WITH DISABILITIES

Penn State and the Smeal College of Business welcome students with disabilities to all of its classes, programs and events. The Penn State Office of Disability Services (ODS) in Room 116 Boucke Building provides a vast array of services for students with disabilities according to mandates under Title II of the ADA amendments Act of 2008 and Section 504 of the Rehabilitation Act of 1973. For more information or to meet with a service provider from ODS, contact them at (814) 863-1807 (V/TTY) or visit their website at: <http://equity.psu.edu/ods>

In order to receive consideration for reasonable accommodations, you must contact the Office of Disability Services, participate in an intake interview, and provide documentation: <http://equity.psu.edu/ods/guidelines>. If the documentation supports your request for reasonable accommodations, ODS will provide you with an accommodation letter that you will need to share with the instructor as early in the course as possible. Adjustments will be made based on the recommendations in the accommodation letter. This process must be followed each semester that accommodations are requested.