

**MGMT 497F**  
**Managing an Entrepreneurial Start-up**  
**Spring, 2009**  
**W 3:30 - 5:30 Room 106 Business Building**

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Office Hours 1:00-2:30 W 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 private equity 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 with daily important and often unpredictable forces. It is the tenacity of an entrepreneur that can take a company through the valleys of despair to eventually succeed. Students will be exposed to these tensions and experience first-hand 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 eleven management themes analyzed in the course are couched in terms of an underlying paradox. This will 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, raising different rounds of finance, recruiting, building a team and unique culture, developing and executing a sales strategy and finally creating an exit strategy for investors. This course emphasizes the MANAGEMENT of early stage, fast-growing companies. While you will be shown the tools that are used for the mechanics of company formation, the cases will be based mainly on the “softer” issues of start-up leadership – after all, it is the inexperience of the management function more than business idea that leads to the high rate of failure.

This course centers on a real case, Neoforma Inc. You will follow this company from its inception to its eventual sale to a large company. After reading and analyzing the events in the start-up of Neoforma, students will be asked to apply their insights handling related cases and scenarios. This course is open to all Undergraduates from any College on campus. Many of the class activities will be conducted in teams.

This course will provide students with knowledge and experience to increase the likelihood of success whether as a principal in a small company or an investor representative.

*The syllabus is constructed around the principals of Problem-Based Learning. Class sessions will be in a workshop or seminar format where students will be expected to comment on cases, solve problems, and pose questions from the reading materials. Do not expect to be taught in lecture format; rather learn by experiencing and contributing to real situations. Depending on their availability, we will invite entrepreneurs to come to the class sessions to share their own experiences. The course fits well with other Entrepreneurship Courses such as BA/ENGR/IST497G – Introduction to Entrepreneurship and BA/ENGR/IST 497E – Market-pull Technology Commercialization, and the Engineering Entrepreneurship Minor Program.*

#### **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).** Other case histories and readings may be invoked and will be made available electronically on ANGEL.

In addition, many of the key participants in the Neoforma story graciously agreed to be interviewed and videoed for this course. You will therefore witness the characters reflecting 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 will require reading selected diary chapters and reviewing video clips from both insiders and outsiders close to the company. **You are required to purchase a set of 2 CD-ROM’s of the videos for \$25.00 from the Farrell Center for Innovation and Entrepreneurship. Make checks payable to Penn State University.**

In addition there are 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.**

#### **GRADING:**

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

Class Contribution	25%
Written Submissions and Presentations in Teams	45%
Individual Final Open Book Written Cases	30%

**1. Class Participation.** 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, just 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 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 a “change-agent”. Our class will be a safe environment for sharpening these skills. Be concise and to the point. In particular, there may be several visiting entrepreneurs to this class, and you will be expected to engage them in dialog and probing questions.

**2. Written Submissions and Presentations.** There will be weekly short presentations due from each team after the first two weeks of the course. During this initial introductory period you will read the course book to understand the story and get acquainted with the key characters. You will work in teams for these assignments. **Each team will prepare a power point presentation and upload it to the drop box for that week on Angel BEFORE the start of class.** The power point slides should convey your arguments and main points, and you should use the notes function to provide more detailed information that underlies your thinking. Each week one or two teams will be selected to present their analysis for class discussion. You will not be notified in advance which teams will present, so come prepared each week ready to talk.

**3. Final Open-Book Paper.** This will test the complete course material and will be an *individual assignment*. Students will be expected to show insights on a number of issues related to key decisions facing the CEO of a start-up company represented in a case history.

## **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 one and two, all students will “skim read” the book and discuss this in class.

**Week Two: Creating and Seizing Opportunity**

**Readings:**

Bhide: How Entrepreneurs Craft Strategies that Work

**Week Three: The Entrepreneurial Mindset**

**Exercise 1: Mindset Paradoxes**

**Readings:**

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

**Week Four: Networking**

**Exercise 2: Situation Analysis, Networking**

**Readings:**

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

**Week Five: Bootstrapping (and Life-style choices)**

**Exercise 3: Situation Analysis, Bootstrapping**

**Readings:**

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

**Week Six: Angels**

**Exercise 4: Situation Analysis, Angels**

**Readings:**

Gompers: A Note on Angel Financing  
See Chart for Neoforma readings and videos

**Week Seven:**

**Partners**

**Exercise 5: Situation Analysis, Choosing a Partner**  
See Chart for Neoforma readings and videos

**Week Eight:**

**Culture**

**Exercise 6: Situation Analysis, Creating a Culture**

**Readings:**

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

**Week Nine:**

**Hiring & Firing**

**Exercise 7: Situation Analysis, Hiring and Firing**

**Readings:**

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

Guest Speaker: Nathan Bragaw

**Week Ten:**

**Change Management**

**Exercise 8: Situation Analysis, Change Management**

**Readings:**

Wasserman - The Founder's Dilemma  
See Chart for Neoforma readings and videos

**Week Eleven:**

**VC's, IB's and Ethics**

**Exercise 9: Situation Analysis, Ethics**

**Readings:**

Roberts & Barley: How Venture Capitalists Evaluate  
Potential Venture Opportunities  
Kaplan & Warren: Conflicts of Interest (on Angel)  
See Chart for Neoforma readings and videos

**Week Twelve:**

**Large Corporations**

**Exercise 10: Situation Analysis, Dealing with Corporations**

**Readings:**

Baumol: Entrepreneurship, Innovation and Growth: The David-Goliath Symbiosis (On Angel)  
See Chart for Neoforma readings and videos

**Week Thirteen:**

**Balance**

**Exercise 11: Life-Style Balance**

**Readings:**

See Chart for Neoforma readings and videos

**Week Fourteen:**

**Summary of Course**

**Final Project: Open Book Term Paper**

**HONOR CODE**

**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.*

<p style="text-align: center;"><b>This chart is the guide to weekly readings and videos to be studied PRIOR to class discussions.</b></p> <p style="text-align: center;">(Note: there is some repetition as the material may be related to more than one topic).</p>											
Week	3	4	5	6	7	8	9	10	11	12	13
Topic	Mindset	Networks	Bootstrapping	Angels	Partners	Culture	Hiring & Firing	Change Management	VC's & Ethics	Large Corporations	Balance
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.	David Vs. Goliath: Dealing with Big Corporations	Balance: Your Business or your Life
Book Chapter											
Inking It	X		X								X
The Prequel	X				X					X	
The Frontier	X		X								X
Borderline							X				
Two Worlds						X					
Casting							X				
Confidence	X										
The Majors -Pt 1										X	
The Contract			X							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								X
East Meets West	X				X			X		X	
The Screenplay		X		X							X
Identity		X		X							X
A Hard Landing									X	X	
A Round Hole				X					X		
Public Relations		X		X	X				X		
Walla					X	X	X				
Spinning Rooms											
A Flashback	X					X					
A Classic Scene		X					X				
Focus						X		X			
Make-up and Hair					X		X				
Bluescreen		X			X						X
The Coup					X				X		
Discontinuity								X			
The Masters							X				
The Star		X					X	X			

The Cast							X	X		X		
Pick-ups						X						
The Ramp				X	X				X	X		
Starving Artist											X	
The Premiere									X		X	
Fame						X				X		
The Majors -Pt 2										X		
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.*

All violations of academic integrity will be investigated, and where warranted, corrective academic and/or disciplinary action will be taken. For every incident where a penalty is assessed, an Academic Integrity Incident Report form must be filed. The form can be found on the Smeal College Intranet at this URL:

<https://intranet.smeal.psu.edu/students/integrity/index.html>. 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 Gus Colangelo, Interim Associate Dean for Undergraduate Programs, 202 Business Building.

### **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. Direct all inquiries to the Affirmative Action Office, 328 Boucke Building.

### **Americans with Disabilities Act:**

The Smeal College of Business Administration welcomes persons with disabilities to all of its classes, programs, and events. If you need accommodations, or have questions about access to buildings where Smeal College activities are held, please contact us in advance of your participation or visit. If you need assistance during a class, program, or event, please contact the member of our staff or faculty in charge. Access to **Management** courses should be arranged by contacting the **Management & Organization Office**: (814) 865-1789.

### **An Invitation to Students with Learning Disabilities:**

It is Penn State's policy to not discriminate against qualified students with documented disabilities in its educational programs. If you have a disability-related need for modifications in your testing or learning situation, your instructor should be notified

during the first week of classes so that your needs can be accommodated. You will be asked to present documentation from the Office of Disability Services (located in 116 Boucke Building; (814) 863-1807) that describes the nature of your disability and the recommended remedy. You may refer to the Nondiscrimination Policy in the *Student Guide to University Policies and Rules*.

**COMPLETE AND SIGN THE SMEAL ACADEMIC INTEGRITY PLEDGE:**

I/We \_\_\_\_\_ affirm that I/We have neither given, utilized, received, nor witnessed unauthorized aid on this deliverable and have completed this work honestly and according to the professor's guidelines.