

DRAFT: 12/05/2006

The Entrepreneurial Process: Innovation in Practice

Engineering 101

Commerce, Organizations, and Entrepreneurship

Brown University

Spring 2007

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Class Times: Tuesday/Thursday 10:20 – 11:50

Office Hours: By appointment

Course Objective and Methodology

Entrepreneurship is innovation in practice: Transforming ideas into opportunities, and, through a deliberate process, opportunities into commercial realities. This course will present this entrepreneurial process through case studies that illustrate essential elements of an entrepreneurial framework, and will introduce successful entrepreneurs and expert practitioners who will highlight practical approaches to entrepreneurial success.

The format of this course will follow a typical Harvard Business School methodology. As an intermediate-level course, it will expect that students will have enough prerequisite background to understand the rhythm and demands of a case study approach; and that students will be able to apply what they learn through their own analyses of cases and other materials individually and in groups (i.e., in class discussions, in written assignments, in a capstone group business planning assignment, and in a final examination).

The primary objective of the course is to enable students who have some facility with fundamental management principles and financial analysis, garnered through case study and other exposure typically in Engineering 9 or 90 and in some cases through a suitable substitute, to focus on specific demands of the entrepreneurial process, and, throughout the course, to develop confidence and acquire the tools needed to launch something on their own.

This course will be rigorous and among the most demanding of the courses students take this semester. Students who meet this challenge and work hard will find the process satisfying, and will reap significant rewards for the commitment and investment they make at Brown and throughout their professional careers.

Study Groups

Small groups of students who meet before class to compare and contrast their own individual case analyses can be another invaluable collaborative learning experience. The success of these groups depends on each participant preparing the case before the group gathers. Study groups will form naturally, although any student unable to find a suitable group should approach the professor for assistance.

Permission and Statement of Personal Objectives

One of the methods for determining acceptance into limited enrollment will be a statement of personal objectives. With your request for permission, please submit a one-page statement of

your background and personal objectives for this course. This should address the following: (A) Why would you like to take this course? (B) What do you personally want to get out of the course? (C) A brief description of your background and anticipated graduation year, any small company or entrepreneurial experience, activities, concentration, and what you hope to do after Brown. Please also indicate whether you have taken EN9 and/or EN 90. E-mail your statement to both kmontgomery@brown.edu and daniel_warshay@brown.edu

Course Materials

Our primary source of notes, cases and online tutorials will be Harvard Business School Publishing. The easiest and most cost-effective way to order the HBS notes and cases is online through a private section of HBS Publishing's web site set up specifically for our class: <http://harvardbusinessonline.hbsp.harvard.edu/relay.jhtml?name=cp&c=c04818>

To register online for the two eLearning tutorials, "*Financial Accounting: An Introductory Online Course*" and "*Pre-Money/Post-Money Valuation*," students should use the following link: <http://elearning.hbsp.org/sponsor.html?sponsorCode=brown120106>

After registering for the first time, students will login at www.elearning.hbsp.org. Once they are logged in they need to click on the Program Catalog link on the left hand side of the page. Then they will need to click on each program title and select it to pay for the course which will add the online course to their Launch Pad. When they click on My Launch Pad they will see each course listed. To access the course on the Launch Pad the students will need to click on the title to launch it.

If you have technical trouble with any of the HBS materials, call HBS technical support (not customer service) at 800-810-8858.

While all students are required to complete the financial accounting online tutorial at their own pace (**by no later than the end of February**), students with little or no accounting background will benefit from working through the tutorial as soon as possible. The tutorial takes approximately fifteen hours to work through, so students should pace themselves accordingly.

The other required books will expose the class to additional cutting-edge thinking about entrepreneurship. For me, they have been instructional, practical, and inspirational, and hope they will be for you too, well beyond this class itself. While they are available at the Brown Bookstore, to reduce the financial burden of having to purchase all of them, I have placed several copies of each on reserve at the Rock. To avoid a last-minute rush, please plan to read these well in advance of the particular class for which they have been assigned. I have also placed the recommended books on reserve and encourage you to read them to the extent you have time and interest in the particular subject.

Finally, throughout the semester, you will find additional resources on our class WebCT site.

Required: HBS Publishing Notes and Cases (see below in syllabus context)

Financial Accounting: An Introductory Online Course (HBS)

Pre-Money/Post-Money Valuation online tutorial (HBS)

The Innovator's Dilemma by Clayton Christensen

Jump Start Your Business Brain: Scientific Ideas and Advice That Will Immediately Double Your Business Success Rate by Doug Hall

Art of the Start by Guy Kawasaki

The Monk and the Riddle by Randy Komisar

Purple Cow: Transform Your Business by Being Remarkable by Seth Godin

Recommended:

How to Read a Financial Report by John Tracy

Upstart Start-Ups!: How 34 Young Entrepreneurs Overcame Youth, Inexperience, and Lack of Money to Create Thriving Businesses by Ron Lieber

E-Myth Revisited by Michael E. Gerber

Patent It Yourself by David Pressman

The Entrepreneur's Guide to Business Law by Constance Bagley

Note on Basic Option Properties (HBS)

The Power of Strategy Innovation by Robert E. Johnston Jr., J. Douglas Bate

Student Evaluation

Final grades will reflect the following deliverables:

Classroom participation	35%
Five Written Case Analyses	10%
Team Business Plan	25%
Final Case Study Examination	30%

Guidelines for Student Evaluation

- 1. Classroom Participation** – The basis for high-quality classroom participation is diligent preparation. Students should expect to spend approximately three hours reading, assessing, and analyzing each case study on their own, and are encouraged to conduct further analysis in study groups prior to each class. Each class focused on a case study will begin with a cold call of a student to open the class, typically with his or her own plan of action (e.g., “what would you do if you were the protagonist entrepreneur and why?” or “would you invest in this company if you were a venture capitalist and why?”). Throughout the rest of the class, students will be asked to support or challenge the initial opening, as the professor facilitates a case discussion. This Socratic approach will enable students to discover, analyze, and demonstrate mastery over the key issues of the case. We will not explicate any of the assigned books and other readings, per se, but reading them will arm students with tools and vocabulary required to analyze cases. Because classroom participation is so central to the success of each student and to the collective experience of the entire class, attendance in all classes is mandatory. Even one absence will seriously impair any student’s ability to succeed in this course.
- 2. Five Written Case Analyses** –Students will submit written analyses of one case study for each of the five units on the syllabus after they are discussed in class. These one- to two-page papers should begin with a clear and concise recommendation and follow with succinct supporting analysis. There is no need to summarize the case and tone should be more professional and businesslike than academic. A more detailed set of guidelines and a sample paper are available on WebCT. A draft of the first short paper must be handed in to the Writing Fellow for review two weeks prior to the due date. The remaining four papers need not be reviewed by the Writing Fellow. The strict deadlines for submission are listed below.
- 3. Team Business Plan** – Each team’s business plan will be graded based on the oral presentation and final report. Feasibility of the product or firm and completeness of the final report will heavily influence your grade. The financials must be consistent with the plan’s strategy. A draft of the business plan must be handed in to the Writing Fellow for review two weeks prior to the final due date.
- 4. Final Case Study Examination** – The final exam will be a case that requires students to draw on the methodologies and entrepreneurial processes covered throughout the semester.

Class	Date	Case/Reading	Assignments Due
I. What is an Entrepreneur?			
1	1/25/07	R&R <i>Some Thoughts On Business Plans</i>	
2	1/30/07	The Aravind Eye Hospital <i>A Perspective on Entrepreneurship</i>	
3	2/1/07	<i>Purple Cow</i> Guest: Steve Lane	
II. Getting Started: Entrepreneurial Fundamentals			
II. a) Recognizing Opportunities and Developing Business Models			
4	2/6/07	Zipcar <i>Jump Start Your Business Brain</i>	Brainstorming activity Paper 1 due to Writing Fellows
5	2/8/07	Profit Logic <i>Note on Business Model Analysis for the Entrepreneur</i> Guest: Scott Friend '87	
II. b) Assembling The Team			
6	2/13/07	Ockham Technologies "Splitting the Pie," "Benefits of Having an Independent Board," "Think Big"	Business Plan Team Due
7	2/15/07	Precise Software <i>Art of the Start</i>	Paper 1 due
II. c) Raising Financial Resources			
8	2/22/07	Honest Tea <i>New Venture Financing</i>	Business Plan Idea Due
9	2/27/07	Parenting Magazine <i>Pre- and Post-Money Tutorial</i> <i>Venture Capital Valuation Method</i>	
10	3/1/07	Tell Me Guest: Angus Davis	
11	3/6/07	CelTel International <i>Legal Forms of Organization</i>	Paper 2 due
12	3/8/07	<i>Buzz Article: Equity Instruments and Provisions</i> <i>Cool Fuel Term Sheet</i> Guest: Bill Stone	
II. d) Managing Uncertainty			
13	3/13/07	E Ink: Financing Growth	
14	3/15/07	Mercury Rising: Knight's Digital Venture	
III. Managing the Growing Venture			
15	3/20/07	Shurgard Self Storage: Expansion to Europe	Paper 3 due
16	3/22/07	Corporate New Ventures At P&G Guest: Bob Johnston, Doug Bate <i>Innovator's Dilemma</i>	1 Page Ad due

17	4/3/07	NO CLASS PASSOVER	
18	4/5/07	Noodles & Co <i>A Note on Franchising</i>	
19	4/10/07	Elevator Pitch Presentations	
20	4/12/07	TBD	Paper 4 due
IV. Realizing Value			
21	4/17/07	Presentation Workshop	Business plan draft due to Writing Fellows
22	4/19/07	Kendle International <i>A Note on the Initial Public Offering Process</i>	Valuation exercise due
23	4/24/07	Kate Spade <i>Monk and the Riddle</i>	
24	4/26/07	TBD	Paper 5 due
25	5/1/07	Business Plan Presentations	Business plan presentations due
26	5/3/07	Business Plan Presentations	
27	5/8/07	Business Plan Presentations	Business plans due
	5/16/07	Final Examination	

Danny Warshay

Danny Warshay has devoted his career to building, managing and harvesting high-growth entrepreneurial ventures. He is the founder and managing director of DEW Ventures, a platform he has used to launch and develop a variety of new, quickly growing companies.

Through DEW Ventures, Danny has co-founded:

- RoundOne: The Entrepreneur's Playbook (www.roundone.com), an online content and social networking platform focused on empowering entrepreneurs.
- Culinova (www.culinova.com) which develops foods with health and functional benefits and licenses them typically to large food companies looking for innovation.
- LoyalTec (www.loyaltec.net) which helps its retail clients use their own transactional data to transform anonymous customers into loyal ones.

Danny began his entrepreneurial pursuits while an undergraduate at Brown as co-founder of Clearview Software, the developer of the *SmartForms* suite of Macintosh applications software. Apple Computer acquired Clearview in 1989. He then co-developed Specialized Systems and Software, a custom software development firm sold to Medline Industries.

Danny led the growth of Anchor Communications, a startup magazine and Internet publishing company sold in two parts to A.H. Belo Corporation and Miller Publishing Group. While at Anchor, Danny served as publisher of the company's regional titles including *Rhode Island Monthly* and spearheaded the launch of its first Internet products including RhodeIsland.com. He also served as Chief Operating Officer of Anchor's first national products, *Getaways* magazine and GetawaysOnline.com Internet travel service.

As co-founder and managing director of Health Business Partners — the nutrition industry's premier venture capital and financial advisory firm — Danny built and led the firm's venture capital practice.

Danny's corporate experience came at Procter & Gamble as a member of the Duncan Hines Brand Management team where he managed the development and marketing of new products.

One of Danny's business passions is Open-Book Management – an approach to empowering, motivating and rewarding employees through exposure to all relevant measures, financial literacy, and providing a meaningful stake in the outcome through employee ownership. He has spoken in national forums and has been interviewed in *Inc. Magazine* on the topic, and coaches companies interested in embracing this approach.

Danny has served on the boards of several startups, and was a founding board member of the Brown University Entrepreneurship Program where he is now a Trustee Emeritus. He currently serves on the board of Rhode Islanders Sponsoring Education (RISE) — a non-profit that provides mentoring, social service support and educational opportunity for the children of incarcerated parents; and as an Honorary Life President of the Brown University Hillel Foundation where for four years he served as President during the foundation's \$12 million capital campaign and construction of its 28,000 square foot new facility. He is also the recipient of the Merrill L. Hassenfeld Leadership in Community Service Award.

Danny is an adjunct professor at Brown University where he teaches The Entrepreneurial Process: Innovation in Practice - an advanced course in a new interdisciplinary program called Commerce, Organizations & Entrepreneurship, and the Entrepreneurial Finance modules of a new Masters Program in Innovation Management and Entrepreneurship (PRIME). He is also the recipient of the Brown Israel

Faculty Exchange Fellowship which has provided for him to teach entrepreneurship in the MBA Program of the Recanati School of Business Administration at Tel Aviv University.

He received a B.A. in History, *magna cum laude*, from Brown University (Junior Year at Hebrew University in Jerusalem), and an M.B.A. from Harvard Business School.

In addition to spending time with his wonderful wife and three terrific children, Danny loves the mental and physical challenges and rewards of vinyasa yoga. He is also an avid (and tortured) Cleveland sports fan.