

Fall 2019

ENTR 410-001: New Venture Management

Raja Roy

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New Venture Management

Fall 2019

Course ID: ENTR 410-001

Time: 10-11.20 am MW

Location: CKB 317

FACULTY INFORMATION

Instructor: Raja Roy

Email: rroy@njit.edu

Skype: prof_roy

Office hours: By skype (anytime by prior appointment)

COURSE INFORMATION

Entrepreneurship is a unique creative problem-solving process that transforms an idea into an effective and value-creating venture in the real world. In creating effective ventures, entrepreneurs not only bring together products/services and markets, but often also create the products and markets as part of the entrepreneurial process.

This course is designed to provide broad overview of key issues to consider in the entrepreneurial process. To facilitate this learning process, you (and your team) will come up with a venture idea and the course will be organized around identifying whether your idea is a real and viable opportunity for creating a venture that adds value to your life, to your potential investors and partners, and to society at large. We will think about entrepreneurial strategies, markets, resource requirements, and we will consider the mission and the goals of the venture and learn how to select organizational designs that promote them.

The idea that you pursue in this course need not be limited to a for-profit venture. We will interpret entrepreneurship very broadly and consider legitimate all ideas oriented towards the formation of a venture that creates value by bringing people and resources together – the possibilities are limitless! In this spirit, the real-world cases that will facilitate our class discussions represent a range of ventures – for-profit and non-profit, high-technology and low-technology, product-oriented and service-oriented, and those in emerging markets and mature ones.

Learning in this course includes both “active” and “passive” forms according to Edgar Dale’s Cone of Experience. Reading and analyzing cases constitute the “passive” forms of learning. Group project, in which every student will have to work in a group and develop a new innovative product or process constitutes an ‘active’ form of learning.

COURSE MATERIALS:

Text: Entrepreneurship; By: Andrew Zacharakis; William D. Bygrave; Andrew C. Corbett; Publisher: Wiley; Print ISBN: 9781119298809, 1119298806; eText ISBN: 9781119298823, 1119298822.

Reference Books:

- a) Business Model Generation by Osterwalder and Pigneur.
- b) Where to Play by Gruber and Tal.

Case packet: Details will be provided later.

COURSE OBJECTIVES / STUDENT LEARNING OUTCOMES

Upon completing the course, students should be able to:

- a) Explore an entrepreneurial idea to the point where you can intelligently decide whether to “go for it” or not,
- b) Think about and reach out to potential customers, partners, suppliers, and experts,
- c) Learn to use tools and concepts that enable the achievement of Objective #1,
- d) Understand how to create and capture value,
- e) Prepare a business plan and business model canvas for your idea.

Assessment

The learning outcomes will be assessed primarily via quizzes, business plan, and case discussions.

STUDENTS TASKS/ ASSIGNMENTS/ REQUIREMENTS

Class conduct: Most sessions will be primarily in the discussion format, with a strong emphasis on the assigned cases and readings for the week. Your preparation for the class should involve a thorough analysis of the case and/or the readings and to develop a personal position. Unless you have thought about the case, it is very difficult to participate and learn from others’ contributions in the class. I may call upon you at any time, whether to start the discussion or answer a specific question during the class on any day.

Because of this class format, a major part of your learning will take place in the classroom. Given that this class is largely about the development of your own personal synthesis and perspective and not just about the mastering of various analytical tools per se, *it is not possible to make up for an absence*. If, for some unavoidable reason, you have to miss a class, it is your responsibility to find out from your classmates what materials were covered, what additional assignments were given, and what handouts you may have missed.

Grading: Your grade will be based on the following assignments. The relative weighting of these components are given below. While assignments will be sufficiently challenging to align the grades with LeBow guidelines, no limits will be placed on outstanding performance. Please note that I retain the right to increase the final grade of a student. To assure fairness to all students, *there will be no individual extra credit assignments or make-up examinations*. Grading will largely be done on a relative basis. The best performing team or individual will get 100% of the points for that exam, and all others will be graded relative to the best performance.

Category	Due date	Points
Team submission to various Business Model competitions	By 12/5 or as decided in class.	5
Individual case assignments (10 points * two out of three case assignments)	Various dates; before class meets	20
BMC	10/7; 10am	5
Class Participation (individual)	On-going	5
Reinvented BMC	11/6; 10am	5
Final Business Plan		20
Quiz 1 (closed book; closed notes and all devices)		20

Quiz 2 (closed book; closed notes and all devices)		20
Total		100

Grading scale

A: At least 90% of total grade AND top 20% of class.

B +: At least 85% of total grade and next 15% of class.

B: At least 80% of total grade and next 15% of class.

C+ or lower: At least 60% of total grade and next 50% of class.

F: Less than 60% of total grade.

- *Individual Homework Assignments:* For some of the cases, you will have to answer the assigned questions that are based on the cases. The questions are mentioned later in this syllabus. Any changes will be posted one week before the case is discussed. Your answers to each question should be roughly 2 pages long, with 1.5 or double line spacing and 12-point font. The answers will have to be submitted strictly through MOODLE only before the class when we discuss the case for the first time. No late submissions or email or hardcopy submissions will be accepted under any circumstances. There will be more opportunities for homework grades than will be required; in other words, you may be able to skip a few assignments depending on your schedule throughout the quarter or to drop the lowest of the homework grades.

- *Team Homework Assignments, if applicable:* For some of the cases, you will answer the case questions as a team. Your answers to each question should be a maximum of 2 pages long, with single or double line spacing and 12-point font. The answers will have to be submitted strictly through MOODLE only before the class when we discuss the case for the first time. No late submissions or email or hardcopy submissions will be accepted under any circumstances. There will be more opportunities for homework grades than will be required; in other words, you may be able to skip a few assignments depending on your schedule throughout the quarter or to drop the lowest of the homework grades.

- *Class participation:* Class participation is important for two reasons: I) it carries points and II) it can push you up by one-third of a grade if I think that you are at the borderline of two grades. For example, if your overall grade is B at the borderline of A, and your class participation is good, I will push you up to A. However, I retain the right in deciding if you deserve to be pushed up or not. For getting good grades in class participation, *quality is more important than quantity*. I reserve the right to decide if a particular point raised by you deserves the class participation grade or not. Grading for class participation will be done on a *relative* basis. The person who has been the best participant will get 5/5 and others will be graded *relative* to that person. I will keep track of your class participation. At the end of every class, I will note your participation for that day. You are encouraged to check your class participation record regularly and bring any discrepancy to my notice within one week. Credits for class participation made more than a week earlier will be at my discretion. On-line questions (through email or otherwise) do *not* qualify as class participation credits. Clarification questions do not qualify for class participation grades.

- *Instructional Methods:* I will use a variety of pedagogies in the class, including lectures, class discussion, interactive exercises, etc. Preparation and participation are two keys to success in this class. Prior to each class session, there will generally be a reading assignment, along with some required pre-class preparation. In class, we will engage in a number of learning activities throughout the semester, requiring your full involvement. I will strive to make the class interactive, and you must be involved on a regular and on-going basis.

- *Final project:* Generating a Business Model and writing a plan on commercializing a new product or process. Some broad guidelines are as follows:

Objectives:

1. To understand the issues involved in value creation and capture.
2. To understand the sources of sustainable competitive advantages.

3. To understand the issues involved in seeking funding for commercialization of a new product.

Your idea should be within the limits of academic integrity. Please review your selected idea with me for approval. Your Individual Idea Memo is due by 5pm Central Time on 1/25/16 through dropbox at MOODLE. Please include the following information in your summary statement:

- i) Your Name
- ii) Brief description of value creation (in about three or four sentences), including—
Target market; Competitive advantages; Potential competitors; Threats to sustainability

On 1/25/16, you will present your individual idea as an “elevator pitch” to your class. Please be prepared with at least one or two slides to discuss your idea

On 2/10 you will submit the Team Venture Memo. This will be about 3 pages; double spaced; 12-font size report on--

- i) Brief description of value creation (in about three or four sentences), including—
Target market; Competitive advantages; Potential competitors; Threats to sustainability
- ii) Individual responsibilities (describing how you plan to break-up the project and the responsibilities of each team members).
- ii) Milestones that you want to achieve (as a team, by date to submit the final report).

Details of the Project: Business Model and Plan

One of the fun things about this course is that it is cross-functional (finance, marketing, accounting, operations management, HR, etc). I expect you to discuss and contemplate issues from beyond the perspective with which you most associate yourself. Leaders and successful managers (which I expect you all to become if you aren't already) must constantly think in terms greater than some discipline within which they feel comfortable.

In groups, you will all explore one or more opportunities to the point where you can make an informed and intelligently justified decision about whether or not to pursue these opportunities more thoroughly. The write up will explain the operational approaches, selling/marketing approaches, people solutions, competitive approaches, and financial solutions related to your opportunity. You may begin by discussing the ideas that you described in your individual venture idea memos and decide to pursue in greater detail one of the group member's ideas, or you may come up with a new idea altogether as a group. As the point is to make an informed and intelligently justified decision, the report will explain what information you have gathered and what you believe you know and why, along with analysis/evaluation/imagination about the implications of that information for your opportunity.

The practical aspects of doing this report will be discussed throughout the term and will include getting off campus and talking with real people, and doing real live research. This will help you develop a Business Model and will include--

- Talking with potential customers
- Talking with potential partners
- Talking with ANYONE who could inform your decision.
- Exploring the details of acquiring control over needed resources
- Talking with technical experts as required
- Looking into the prototype if appropriate
- Researching current solutions to the problem you're solving
- Researching market and competitive potential
- Modeling the finances of the opportunity

The business plan report will have the following parts:

- A. Industry and Competitive Analysis Prepare an Industry and Competitive Analysis for your venture opportunity. The industry analysis should be 3 to 5 pages, summarizing your key findings.

- i. *Industry and Competitive Analysis* What type of firm would represent competition for your technology, business concept or firm? In other words, profile your "competition". Provide an overview of your industry. Identify specific firms that may offer a competitive approach toward your innovation. You might choose to prepare a table that categorizes these firms by sector, and list these firms and their basic mission/focus in a table. In short, "benchmark" your competitor firms using a comparative table, assisted by information gathered from web searches, secondary information, primary information, and your team's knowledge of the industry. Of these firms, which would represent a potential enabling partner, investor, licensee, or acquirer of your concept or firm? Are there any common attributes that characterize these potential partner firms? What is the size of your industry; is it stagnant, growing, or declining and how fast; if it is growing than how big can it get and how fast? Michael Porter's model for analyzing industry and competition is one way of helping you to organize your thinking and research. In addition to the suggestions mentioned above, you may build up on your knowledge from Strategic Management and further refine your analyses.
- B. Market and Customer Analysis: Prepare a market research report for your venture, including description of targeted market segments, size of each segment, and description of unique product or service advantages. Describe your customers in detail including demographics, psychographics, and buying habits. Describe barriers to overcome and barriers that can be erected. Your market research report should be 4 to 5 pages summarizing your key findings. Charts and graphs are often useful means of summarizing data for this report.
 - i. *Market Characteristics and Marketing Strategy* Think about your target market(s): What do you know about its size, value and characteristics that are relevant in the development of a marketing strategy? Characterize your marketing strategy for your business, identifying specifically how this strategy is intended to penetrate your specified target market. A good marketing strategy will address if appropriate: distribution, pricing, branding, discounting, allowances, service agreements, advertising, sampling, and promotions.
- C. Sales Forecast, Income Statement, Balance Sheet and Cash Flow Statement Forecast Forecasts are for three years, by month for year one, by quarters for years two and three, include a column with year end totals for each year of the income statement, also include a column on your income statements that shows each line item as a percentage of net sales. The visual formatting and layout of your forecasts is important. The print size must be easy to read for older people who have money to invest! Do not continue years from one page to the next. Never print numbers on a page without row and column descriptions. An integral part of the business plan is the financial model containing the financial projections. Projections that are well constructed are meant to quantify the opportunity as well as provide insight into the financial and operational characteristics of the business. Sensitivity analysis, ratio analysis, and 'what if' scenarios should be key provisions of any model that is meant to fully describe the nature of the opportunity. A fully interactive model (one that uses formulas versus raw values or plug figures) gives you the ability to change certain figures and immediately read how the rest of the business is affected. As a general guideline, we always suggest that students construct their models from scratch. This affords students the opportunity to gain a significant understanding of the financial characteristics of the business, while at the same time giving students the most flexibility in describing the opportunity and the economics of the business. We will provide you with opportunities to gain feedback on your spreadsheet work and we will help troubleshoot problems you have with your model. Do not include pennies in any of your forecasts. Preparing a Sales Forecast Estimate the market share you project to capture over time and combine this with the pricing you expect. Look at various pricing and market share scenarios and choose the best case, most-likely, and worst-case scenarios. Do a three-year sales or top line forecast by units and dollars for your most likely case. Your sales forecast should be by month for the first year

and by quarters for years two and three. Include year-end total sales. Include a 1-2 page discussion of your pricing and market entry strategy. The sales forecast section of your business plan generally includes more detail than you show on the top line or revenue line of your income statement. You are only required to submit your most likely case scenario, but other scenarios are welcome. A convincing top line forecast is the most important component of most business plans. The top line is made believable by a solid industry and competitive analysis and a comprehensive market and customer analysis. You need to make a persuasive case that there is a market for your product or service and that you will better serve its needs than your competitors. Justify your projected market share. Describe the demographics of your targeted market segments. Is your market growing, declining, or stagnant? What are the other significant trends in the market with regards to technology, government regulations, etc.? What are your 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 erect? Include a separate page that documents all of your assumptions for your forecasts. Include a ratio and breakeven analysis with your forecast.

- D. Final report: Business Plans are to be limited to 20 pages, typed, double spaced of text. This includes the executive summary and financial information. Appendices can follow the text and are limited to 15 pages. Therefore, the total length should not exceed 40 pages. Financial data should include a three-year (3) proforma including a statement of cash flows, balance sheet, and income statement. Statements should be monthly for the first year and quarterly for years two and three. Financial strategies must include an explanation of the offering to investors, including how much money is required, how it will be used, the proposed structure of the deal, and the potential exit strategies. In addition, financials must include a clear statement of revenue assumptions. The final project 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. Each plan must include a financing strategy that describes the reward streams your venture will create and on what terms you propose to exchange these with potential investors. Include a projected rate of return for outside equity investors. If outside capital is being sought the exit strategy and reward streams for the providers of this capital must be addressed as part of your financing strategy. In order to estimate rate of return to equity investors you must estimate a valuation for the firm at the time of investment. You must also estimate the timing and amount of return the investors. Include a section that discusses critical risks and the contingencies for dealing with them. Each plan should include a Title Page with contact information for the lead entrepreneur, a company fact sheet (name of lawyer, banker, accountant, etc.), Executive Summary, Table of Contents, and page numbers.
- E. Final Presentation (if applicable; approximately 20 minutes each team, followed by Q&A session).
- a. *All team members have to present a part of final presentation.*
 - b. *The following criteria will be used to judge your presentation:*
 - i) Quality of PowerPoint Presentation (Good readability; Well-organized; Main points only; No spelling errors)
 - ii) Delivery of Presentation (Comfortable w/audience; Correct grammar; Fluent expression; Enthusiasm; Little reference to notes)
 - iii) Organization of Content (Well-organized; Intro, body, & conclusion; Pertinent examples & recent developments)
 - iv) Time Management (Stays within allocated time frame; Equally distributed among participants)
 - v) Verbal Interaction with Audience (Maintains interest; Interacts with audience; Addresses audience's questions)
 - vi) Coherence & Unity of Presentation (Intro of team members; Overview of topics; Effective transitions)

- vii) Dress for Presentation (All participants appropriately dressed—business casual or formal)

COURSE POLICIES AND STATEMENTS

Absence Policy:

You may be sick or some emergency might arise that prevents you from coming to class. Please let the instructor know in advance, and bring some documentation (e.g., doctor's note) to the next class to get your absence excused. Each absence without any documentation will result in 2 points deduction AND you will miss the points for popquiz, should we have any quiz on the day you miss the class. Being late by more than 10 minutes will be equivalent to being absent.

Professional Participation:

Everyone should come to class on time, prepared, and willing to participate in open discussion. Students are expected to read material in advance of the class session in which it is covered. Students are also responsible for material and assignments covered in the event that they are absent. You are encouraged to interact with fellow classmates and work in groups to discuss course material. Everyone is encouraged to challenge and critically analyze any concepts, theories, or opinions offered (remembering that politeness and respect should govern all discussions).

Academic Integrity and Honesty:

Integrity and honesty are of paramount importance in this course, and in the careers it supports. We will adhere to the NJIT Honor Code <http://www.njit.edu/academics/pdf/academic-integrity-code.pdf>.

Plagiarism:

All assignment will be tested using TurnItIn for plagiarism and authenticity. Students will be required to revise any draft that is over 25% copied in order to make it original. Any student submitting a final business plan that is more than 40% copied, regardless of references, receives an automatic F in the course.

Important Additional Ground Rules:

- Please do not pass on course materials or notes to future students or students in other sections. Such behavior will only hurt the learning of others that follow you.
- On-time arrival to class and departure only after the class has ended will be expected. If you feel that you will have to step out during the class, please sit close to the door and make your way to the exit and return as quietly and discreetly as possible.
- Please make sure that your cell phones are set to “Vibrate” mode prior to class.
- If we are unable to finish the discussion of a chapter or a case on the scheduled day, we will continue with that chapter/case on the following day first and then switch to the scheduled reading for the second day.
- If I have to cancel a day of class during the term, then the assignment(s) for the canceled class will be deferred to the next class. In other words, we will follow the sequence of classes outlined in the attached tentative schedule.
- If there is any disagreement between what I mention in class and what is mentioned in the text, then my description in the class will be valid for all exams, grading, and other purposes.
- Tentative schedule is given below. This is subject to change any time during the semester.
- With regards to the final project, I will answer specific questions related to your proposed new product or service, and your target market. For example, I will gladly help you with questions such as “Is company X our likely competitor?” or “Is the measurement of our y-axis in our graph # 1 relevant for

our study?" or "can southern California be a relevant market for our product or service?" However, I will NOT go through your business plan, comment on the length of the paper, its contents, the number of charts, and/or similar queries prior to your submission of the final project.

Tentative schedule of classes:

Date	Topic	Reading Assignment	Homework Assignment
Sept. 4	Introduction		
Sept. 9	Sustaining Competitive Advantage I	Strategic Positioning for Competitive Advantage	Slides for the lecture will be available at Moodle.
Sept. 11	Sustaining Competitive Advantage II	Sustaining Competitive Advantage	Slides for the lecture will be available at Moodle.
Sept. 16	Venture idea pitch	60-second Elevator pitch <ul style="list-style-type: none"> • Description of business concept <ul style="list-style-type: none"> • Target market • Related products • Competitive advantages • Potential deterrents and sustainability 	Individual venture idea memo due
Sept. 18	Business Model Generation (1)	Customer Segments; Value Propositions; Channels; Customer Relationships	Start preparing your application for— <ul style="list-style-type: none"> i) Tulane Business Model Competition: https://freeman.tulane.edu/lepage/tulane-business-model-competition ii) Kean University Competition: https://www.kean.edu/kean-university-business-plan-competition/important-dates-business-plan-competition iii) International Business Model Competition: https://www.businessmodelcompetition.com/ <p><u>Mandatory:</u> Submit your entries for the above-mentioned competitions (and any other competition that will be suggested during the course by their respective deadlines, or by Dec. 10, whichever is later).</p>
Sept. 23	Business Model Generation (2)	Revenue Streams; Key Resources; Key Activities; Key Partnerships	

Sept. 25 & 30	<i>Business Model Generation (3 and 4)</i>	Cost Structure and Synergies Contacting your potential customers	
Oct. 2	<i>Project day</i>	<i>No formal meeting.</i> Prepare your BMC. Set milestones for your project; assign duties to every team member.	Email milestone and team member assignment to rroy@njit.edu by Oct. 2, 10pm. BMC due Oct. 7 at 10am.
Oct. 7		Case: Segway HT: More than a cool invention	Homework Assignment # 1 due prior to the class (see end of the syllabus for the question/s to answer)
Oct. 9		Case: The Slingshot: Improving water access	Homework Assignment # 2 due prior to the class (see end of the syllabus for the question/s to answer)
Oct. 14		Guest Speaker (tentative) Case: 3D Robotics	Homework Assignment # 3 due prior to the class (see end of the syllabus for the question/s to answer)
Oct. 16, 21, and 23	Where to Play: Market Opportunity Navigator (1) Market Opportunity Navigator (2) Market Opportunity Navigator (3)	Reinventing your business model Text chapters 4-6	
Oct. 28	Are you a disruptor? Where NOT to play? (1)	Theory of Disruption	
Oct. 30	Are you a disruptor? Where NOT to play? (2)	Market research on potential disruption	
Nov. 4	<i>Project day</i>	No formal meeting. Reinventing your BMC	Reinvented BMC due Nov. 6 at 10am.
Nov. 6		Text Chapter 4: Prototyping Text Chapter 7: Founding Team	
Nov. 11		Text Chapter 8: Business Planning Process Text Chapter 9: Pro-forma financial statements	
Nov. 13		Text Chapter 10: Financing your venture Text Chapter 11: Raising money	
Nov. 18		Quiz 1	Chapter 4, 7, and 8 of text

			(multiple choice, T/F; Yes/No answers; 70 questions to be answered in 70 minutes)
Nov. 20		Text chapter 12	Interim report 2 due
Nov. 25	<i>Project day</i>	<i>No formal meeting</i>	Time to work on your business plan.
Dec. 2	<i>Project day</i>	<i>No formal meeting</i>	Time to work on your business plan.
Dec. 4		Text chapter 13	
Dec. 9	<i>Project day</i>	<i>No formal meeting</i>	Time to finish your business plan. NOTE: Submit your entry to the various business plan competitions. Final business plan due 12/10 by 10pm ET.
Dec. 11		Quiz 2	Chapters 9-13 of text (multiple choice, T/F; Yes/No answers; 70 questions to be answered in 70 minutes).

Questions for cases:

Please note:

- i) While answering the questions, please restrict yourselves to the information provided in the case. Also, try to imagine that this is the time when the case was written, and NOT 2019.
- ii) Please do not restate the story as your answer. For example, I am not interested in the information that is mentioned in the case. I want to know “why” is that piece of information important, particularly for sustaining competitive advantage.
- iii) All assignments carry 10 points.
- iv) At every step, think about the assumptions you make in your statements.
- v) Page limit: 2 pages per question; 12-size font; double-spaced.

Questions for 3D Robotics

Q1: Create a BMC for 3D Robotics. 5 points

Q2: How does the business model neutralize the threats to sustainability of competitive advantages? 5 points.

Questions for Segway HT: More than a cool invention

Q1: Create a BMC for Segway based on information from the case for at least two markets. 6 points

Q2: Identify and justify the sources of synergy across the various building blocks of the BMC. 4 points

Questions for Slingshot: Improving water access

Q1: Create a BMC for Slingshot based on the information from the case. 5 points

Q2: Identify and justify the sources of synergy across the business model. 5 points