

National University of Singapore
NUS Business School
Department of Strategy and Policy
Innovation and Entrepreneurship

Course

TR3002/BSN3702
New Venture Creation

Instructor

Ng Weiyi
MRB Biz 1 #06-34
weiyi_ng@nus.edu.sg
Office Hours: TBD

Overview

This course is an introduction to the process of venture creation. TR3002 gives an insight into the processes and varieties of entrepreneurship. The course draws heavily from theory and research but is at its core, practice oriented. The majority of the class time will be devoted to case discussions of entrepreneurial scenarios that depict the careers and work of different entrepreneurs. This facilitates student reflection on any intrinsic entrepreneurial ambition. These cases illustrate the risks and uncertainties, as well as the procedure and thought processes behind complex decisions necessary to navigate the start-up landscape. The remainder of the class involves interaction with the start-up field through guest interaction and field trips.

It is worth reiterating that this course is an introduction. The entrepreneurial process is both complex and particular; every entrepreneur will face a set of challenges unique to their situation and circumstances. Also note that entrepreneurship spans multiple phenomena across a plethora of industries: from self-employed contractors to the unicorn founders of the world. In this course, we will primarily be focused on the creation of high-potential/high-growth ventures. These ventures are characteristically growth oriented, seek to scale, capital intensive and as such, typically involve venture capital investments.

Regardless, the course has the following goals:

- (1) The course encourages students to introspectively contemplate their career plans, and consider how entrepreneurship might be involved in any career.
- (2) The course presents students with frameworks and seeks to demystify the entrepreneurial process. In particular, students will be acquainted with skills and know-how needed to evaluate opportunities, manage risk, reduce resource requirements, understand staged-investing, know the basics of perspective taking and negotiations, and so on. The course will also break-down lay perceptions of entrepreneurship, and take a critical look at popular concepts such as lean-experimentation, fast failure and hypothesis-based entrepreneurship.
- (3) The course aims to develop practical entrepreneurial skills that are relevant in your business (and sometimes personal) life, regardless or not whether you have entrepreneurial aspirations or desire to be involved in the start-up world.
- (4) The course introduces students to the basic Entrepreneurial Finance, including understanding cap-tables and staged financing.
- (5) Finally, we will engage with the local entrepreneurial ecology through guest speakers and (if possible) field visits.

Course instruction and readings are primarily anchored through a set of case-studies. These case-studies are supplemented by optional but recommended readings that detail best practices and industry norms. Guest speakers (subject to schedule alignments and availability) will provide further insight and immediate contact with the local ecology.

Who should take this course?

This course is designed for students who either have entrepreneurial aspirations or are interested in a career in the start-up scene (whether it be upon graduation or at some time in the near/far future). The latter involves not just early stage companies, but also firms that provide capital: for instance, Venture Capital and Incubation/Acceleration. The objective is to expose students to an array of entrepreneurial issues in the course to equip students with the knowledge and know-how necessary to both jump-start and consider their career options.

There are no formal prerequisites for this course. More salient is an interest in the start-up process, nurturing businesses and new enterprise formation. *I do expect the course to be involved.* Yet again, while the material here serves as a mere introduction to the multi-faceted and dynamic nature of entrepreneurial work, the cases selected are sufficiently detailed and rich that they will benefit from careful and close reading.

Content

Topics in TR3002 largely constitute four themes: (1) opportunity identification and exploitation, (2) lean experimentation and business plans, (3) fund raising, deal-structuring and negotiations and (4) entrepreneurial characteristics. Detailed listing of the topics and cases are found in the “Schedule of Classes” segment of the syllabus. Do note that these are subject to change depending on class pace as well as guest speaker availability.

Materials

The core of the class materials constitute cases. The essential cases will be uploaded onto LumiNUS. As such, the majority of lessons learned will be through class participation and discussion not only with your instructor (me) but also your peers.

Also recommended is the Andreesen Horowitz (a16z) podcast.

Assessment

Grading Breakdown

Class participation	30%
Case Analysis Assignments	30%
Final Project: Start-up Creation and Pitch	
Mid-term Update and Presentation	5%
Final Pitch	20%
Start-up Prospectus	15%

Class Participation (Individual) (30%)

I want to reiterate that this is a case-based course. To be prepared for class, you must read and think about assignments in advance of class. Evaluation of your participation will be based on your attendance, and your ability to contribute comments that are insightful, relevant and progressive (i.e., comments that move the discussion forward, rather than restate what has already been said). I will be looking for *quality* in your participation and you will not need significant “airtime” to earn a high participation grade (if you put forth a single, thoughtful and key insight and that is all you contribute to a session, you will receive the maximum class participation grade for that session).

To aid you in preparing for class discussion, this syllabus details questions for each case that will foreshadow the direction of the in-class discussions.

Please come to every class prepared to discuss the case at hand. Expect to be cold called.

As a significant proportion of the grade is tied to class participation; it is important that you attend all class sessions. Missing class will affect your grade and more importantly everyone’s class experience. Attendance will be recorded every week after the first class. Absences will only be excused for valid reasons such as being certified medically unfit by a doctor, having experienced a death in the immediate family, or being involved in a serious accident (note that this does not include interviews, sports trainings, cultural events, etc.). If you are absent for a valid reason, please email the instructor in advance of the course meeting and provide documentary evidence in the subsequent class. If you expect to be away for a significant fraction of the quarter, you would be well advised to drop this course.

Failure to attend class will result in a negative class participation score for that class.

As the class is scheduled in the evening, *I will start the class at 1830hrs and end it at 2130hrs *sharp*.*

Case Analysis Assignments (Individual) (30%)

Each person is responsible for writing up *two* case analyses (*2 pages maximum, 1 inch margins, double spaced and 12 point font*). Each case will contribute 15% to the final grade. These write-ups will be responses to questions that I will distribute in advance of each week's readings. You are free to discuss and work with groups of any size, however all final submissions should be prepared independently. If you choose to work in groups, acknowledge all group members involved in the case discussion.

You are welcome to submit up to a maximum of *three* case analyses, in which case I will drop the lowest grade. No extra-credit will be awarded if all three cases are of equal grade. **Case submissions over this number will not be graded.**

Some guidelines and expectations:

- This is NOT a case summary. You should avoid simply describing the case or give superficial answers. Be analytical.
- The purpose of the case is to provide information for you to illustrate your statements and defend your points.
- Focus. Aim for depth rather than breadth. As such, you are recommended to pick *one* (at most *two*) questions to address in your analysis.
- Write in *prose*; I expect a short essay. Articulate the main points clearly using topic sentences and make sure the writing and argumentation flows logically. *No bullet lists are to be employed.*

Write-ups are to be submitted by the end of the Tuesday (midnight) prior to class. The two (or three) cases must be from two (or three) different weeks.

Course Project: Venture Ideation (Group) (Total: 40%)

In a group with (minimum) 5 members, you will be asked to identify an entrepreneurial opportunity and initiate a start-up that exploits it. You will then pitch the idea to the class in the form of a 5-minute pitch at the end of the class. Finally, you will submit a start-up prospectus. This simulates a document that is submitted to an investing party in effort to gain interest and seek funds.

As such, the development of your start-up should involve at the minimum: (1) A characterization of the opportunity. (2) A detailed business plan. (3) Company revenue and cost projections, including unit economics and growth metrics. (4) Milestones for staged financing. (5) An attempt at valuation and initial stage financing goals.

The final start-up prospectus which may be up to (maximum) 15 pages in length (*1 inch margins, double spaced and 12 point font*) not including figures, financials, and other exhibits. The page limit is a hard maximum: if anything, succinctness and brevity is rewarded (without compromise of substance). If it helps, you can imagine crafting a document that will aide and persuade a Venture Capital firm to offer you financing.

It will help greatly if you pick an opportunity that plays to your group's experiences and strengths.

There will be several "check points," including an interim presentation to make sure you are on the right path. The final prospectus is due by the end of reading week. More details about these deliverables will be provided as the course progresses.

Administration

Ground Rules

- **Be punctual. This means arriving to class early.** If you are not early, you are late. I have a policy of *immediately* cold-calling late comers at the point of class entrance.
- Please **display your name card** in the front of your desk. If you forget your name card, please make a temporary name card for that session.
- Please **silence your cell-phone** before each course session.
- Finally, and most importantly, we have a **no personal device screen policy** for the class. As the class is mostly case-based, we ask that you be respectful to your fellow students during case discussions.

Missed Class Sessions

As noted above, attendance will be recorded every week after the first class. Absences will only be excused for valid reasons such as being certified medically unfit by a doctor, experiencing a death in the immediate family,

involved in a serious accident (note that this does not include sports trainings, cultural events, etc.). If you are absent for a valid reason, please email the instructor in advance of the course meeting and provide documentary evidence in the subsequent class.

Please note that if you miss a course session for which your group is presenting, you will receive no points for the in-class portion.

Assignments

Please note that LATE SUBMISSIONS WILL NOT BE GRADED and that SEVERE PENALTIES EXIST FOR PLAGIARISM. If you have any questions regarding these policies please ask the instructor in advance of potential issues. The instructor is available during the course, office hours, and via email.

Instructor Email

In order to expedite a response from the instructor, please start the email subject line with “TR3002”.

Academic Honesty & Plagiarism

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is “the practice of taking someone else's work or ideas and passing them off as one's own” (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule – You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. In case of any doubts, you should consult your instructor.

Additional guidance is available at:

<http://www.nus.edu.sg/registrar/adminpolicy/acceptance.html#NUSCodeofStudentConduct>

Online Module on Plagiarism:

<http://emodule.nus.edu.sg/ac/>

Schedule of Classes

Note: Subject to change.

Week 1:	Introduction: Of Opportunities and Entrepreneurs
Cases	1. "R&R," Stevenson and Mossi, <i>HBS Case Series</i>
Readings	Stevenson, "Perspective on Entrepreneurship" Industry and Background Note, <i>HBS Case Series</i> .
Case Questions	R&R
	A. What factors created an opportunity for Bob Reiss and the "TV Guide Game?"
	B. What were the risks and rewards faced by Bob Reiss and other participants in the enterprise?
	C. What actions did Bob Reiss take that led to the success of the "TV Guide Game?"
	D. Would this approach have worked for Parker Brothers or Milton Bradley?
<hr/>	
Week 2	Entrepreneurship as Hypothesis Testing; Business Models (1)
Due	<u>Project teams to be formed. 2/3 cases to be selected for write-ups.</u>
Cases	1. "DropBox, It Just Works", Eisenmann, Pao and Barley, <i>HBS Case Series</i>
Readings	Eisenmann, "Business Model Analysis for Entrepreneurs" Industry and Background Note, <i>HBS Case Series</i> . Eisenmann, Ries and Dillard, "Hypothesis-Driven Entrepreneurship: the Lean Startup," Industry and Background Note, <i>HBS Case Series</i>
Case Questions	Dropbox
	A. Dropbox is a late mover in a crowded space. What opportunity did Houston see?
	B. What are the key elements of Dropbox's current business model?
	C. Is Dropbox profitable as of June 2010? Are you optimistic about its prospects? How does your estimate of Dropbox's current profitability influence your evaluation of the venture's prospects?
<hr/>	
Week 3:	On Data and Decisions: Business Models (2)
Cases	1. "Zipcar, Refining the Business Model," Hart, Roberts and Stevens, <i>HBS Case Series</i>
Readings	Hamermesh, Marshall and Pirmohamed, "Note on Business Model Analysis for the Entrepreneur" Industry and Background Note, <i>HBS Case Series</i> .
Case Questions	Zipcar
	A. Evaluate this potential venture and the progress that Chase has made.
	B. What is the business model, and how has it changed between December 1999 and May 2000? What do the data from actual operations in September say about how the business model is playing out in practice? Does this data give you comfort or concern? We suggest that to answer these questions, you analyze the case in terms of revenues, costs, and contribution per member per month and the things that drive those ratios.
	C. What actions should Chase take as a result of the September operating results?
	D. What is the strongest argument Chase could make to a potential investor about the attractiveness of the venture? What, specifically, should her elevator pitch be at the Springboard forum?
<hr/>	
Week 4:	Dilemmas and Drama (1)
Cases	1. "Quincy Apparel (A)," Chaplinsky, Eisenmann and Mazzanti, <i>HBS Case Series</i> . 2. "Unifying Divisions: Loop's Mission to Preserve the Planet," Gosh and Westner, <i>HBS Case Series</i>
Readings	Check out founders/shareholder agreement templates online.
Case Questions	Quincy Apparel
	A. Evaluate the venture. What are the root causes of problems confronting Quincy Apparel in December 2012?
	B. What could the founders have done differently to avoid or mitigate these problems?
	C. What approach should the founders take at Quincy's December board meeting?

Case Questions

Loop

- A. Why did the founders create a founders' agreement in 2017? Do you think it was a good idea to split the equity and roles so early in the process? How could they have managed the process better?
- B. How would you prepare for the equity discussions with your partners? What are your personal objectives for the negotiation? What is your walkaway position? How would you account for individuals' past versus future contributions?
- C. How would you decide on roles and titles? Would you create a list of decisions that required consensus among the founders? How would you allocate the right to be on the board if future investors only allowed one founder hold a board seat?

Week 5: CHINESE NEW YEAR BREAK

Week 6: Midterm Check-In: Interim Presentations

Recess Week

Week 7: OPM (1): An Introduction to Venture Capital

Cases

- 1. "Andreessen and Horowitz," Eisenmann and Kind, *HBS Case Series*
- 2. Bloomberg Beta: The Bloomberg Beta Operating Manual, <https://github.com/Bloomberg-Beta/Manual>, and Future Founders Project, <https://also.roybahat.com/predicting-who-will-start-a-company-5dab8efc7dd4>, <https://www.nytimes.com/2015/07/02/upshot/the-next-mark-zuckerberg-is-not-who-you-might-think.html>, last accessed 2020

Readings

- Gompers, "A Note on the Venture Capital Industry" Industry and Background Note, *HBS Case Series*.
Bussgang, "Raising Startup Capital." Industry and Background Note, *HBS Case Series*.

Case Questions

Andreessen and Horowitz

- A. Was venture capital an attractive industry to enter in 2009? What entrepreneurial opportunity did Andreessen and Horowitz see?
- B. "To succeed as a VC, you have to do three things really well: source, pick, and win" (case, p. 8). What does a traditional VC firm do to source, pick and win? How is a16z different?

Case Questions

Bloomberg Beta

- A. Review the operating manual. Suppose you are an entrepreneur. What do you think about the Bloomberg Beta Operating Manual? Anything out of the ordinary? Surprising? Do you like what you see? What if you were Michael Bloomberg?
- B. What do you think about the "Future Founders Project"? Do you think it actually works? Why do you think Bloomberg Beta is engaged in such an effort?

Week 8 OPM (2): Terms are Money, Money are Terms

Cases

- 1. "Evaluating Venture Capital Term Sheets," Strebulaev, Ranzetta and Hoyt, *Stanford GSB Case Series*
- 2. "MuMate," Rangan, *HBS Case Series*.

Readings

- Chaplinsky, S. "Early-Stage Term Sheets," Industry and Background Note, *HBS Case Series*.
Nanda, A. "Ethics in Venture Capital," Industry and Background Note, *HBS Case Series*.
Wasserman, N. "Venture Capital Negotiations: VC versus Entrepreneur," Industry and Background Note, *HBS Case Series*.
Glossary of Venture Capital jargon, Thomson one Venture Expert:
https://libguides.vu.nl/ld.php?content_id=31932446

Case Questions

Evaluating Venture Capital Term Sheets

- A. What items should the entrepreneurs be focused on? How do these terms impact their return if the company does well? What if the company runs into the gutter? What is missing from these term sheets?
- B. How, if at all, should they negotiate these terms? With only a few days before the terms sheets explode, what should they do?

Case Questions

MuMate

- A. This is a valuation and terms negotiation exercise. Details will be announced in the prior week to class (i.e. no write-ups for this).

Week 9:	OPM (3) (also: Dilemmas and Drama (2)): Getting that First \$\$\$
Cases	1. "Lovepop," White, Nanda and Hull, <i>HBS Case Series</i> . 2. "Yieldex (A)", Stuart and Wagonfeld, <i>HBS Case Series</i>
Readings	Orlando and Edzepagic, "Should I Apply to an Incubator?: Founder Perspectives," Supporting Case, USC Marshall Lloyd Grief Center for Entrepreneurship Studies. Feld and Mendelson, <i>Venture Deals: Be Smarter than Your Lawyer and Venture Capitalist</i> , Wiley, 2012, p.31-59.

Case Questions **Lovepop**

- A. Why have entities like Techstars and Y Combinator emerged in the funding ecosystem? What role do they play compared to traditional VC firms in the 90s and today? Which makes more sense for you?
- B. Create capitalization tables for two different scenarios:
 (a) Rose and Wise choose the Techstars offer and the optional convertible note described in case **Exhibit 6a**.
 (b) Rose and Wise choose the Founder.org offer described in case **Exhibit 6b**.
 In both cases, assume that:
 (i) Founders own 10million shares of common stock;
 (ii) No current stock option pool
 (iii) three unpriced convertible securities outlined in case **Exhibit 5** have a 20% discount and a valuation cap of \$3million
 (iv) Lovepop raises \$2million in a Series A round at \$10million post-money valuation after accepting either offer
 (v) Series A financing terms include a 10% options pool (fully diluted)
Note: there's a lot of jargon here but don't be intimidated. The math is very rudimentary.
- C. What should Rose and Wise do?

Case Questions **Yieldex**

- A. If you were advising Doug Cosman, would you recommend that he accept the offer from Turn to acquire Yieldex? Why or why not? Assume that Doug would receive \$3 million from the Turn deal, half in cash and half in stock (the angels would receive the balance). In evaluating Doug's options, you may wish to consider scenarios for the evolution of the company. For instance, a relatively rosy scenario would be that:
 (a) Yieldex completes a Series A along the lines proposed in the case at a share price of \$.50
 (b) It completes a Series B at 2-times the amount of new money raised in the A round at 2-times the share price.
 (c) It completes a Series C at 2-times the amount of the B round at 1.5-times the share price of the Series B.
 (d) The company "exits" at whatever value you assume, in whatever time frame you wish to assume, with whatever probability you deem reasonable.
 (e) Of course, you could repeat this exercise under more and less optimistic scenarios.
- B. Assuming Cosman rejects the Turn offer, what deal should he strike with Tom Shields? What is fair? Does Shields deserve 50% of the equity? Should he be considered a co-founder? Why or why not?
- C. If you do not like the deal in the case, what alternative would you propose? Who should Cosman turn to for assistance in making these decisions?

Week 10:	FinTech, Blockchain, Emerging Markets, Pivots etc.
Cases	1. "Airfox (A): Embracing the Blockchain and an ICO," Bussgang, Berk and Schwalb, <i>HBS Case Series</i> . 2. "bKash: Financial Technology Innovation for Emerging Markets," Mahmood, Dieleman and Tartila, <i>Ivey Case Series</i> .
Readings	Luenendonk, "When and How to Pivot a Business Model," <i>Cleverism Blog</i> , September 17, 2014, https://www.cleverism.com/when-how-pivot-business-model/ , accessed Dec 2020. Bussgang, "The Summer of ICOs: VC Implications," <i>Medium</i> , August 28, 2017, https://medium.com/startup-grind/the-summer-of-icos-vc-implications-ead720e8efdd , accessed Dec 2020. Julia Prats, Marc Sosna, and S. Ramakrishna Velamuri, "Managing in Different Growth Contexts," <i>California Management Review</i> 54, no.4(2012): 118–142.

Case Questions **Airfox**

- A. Evaluate each of AirFox's pivots. What experiments could they run for each one to help short circuit their search and discovery process?
- B. Should the company choose to leverage the blockchain for their application?

C. If you were Victor, would you launch the ICO? Why or why not? What are the key factors that need to be weighted in this decision

Case Questions **bKash**

- A. What conditions allowed bKash to revolutionize money transfer in Bangladesh? What did bKash have to do to successfully serve the needs of the unbanked population?
- B. As bKash scaled up, how did the nature of its challenges evolve? What was the second wave of innovations undertaken by the company to meet those challenges? Moving forward, how would you anticipate these challenges to evolve yet again (or would they)? What should bKash do now... (prioritize product innovations, focus on market penetration, or form relationships with other players such as the government)?
- C. How would this setting be different if we switched the country to a developed market (say Singapore)?

Week 11: Of Greater Things

- Cases
- 1. "Mountain Hazelnuts: Social Entrepreneurship in Bhutan," Lee and Hoyt, *Stanford Business Cases*.
 - 2. "The Aravind Eye Hospital, Madurai, India: In Service for Sight," Rangan, V. K. , *HBS Case Series*.

Case Questions **Mountain Hazelnuts**

- A. Discuss the Business Model of Mountain Hazelnuts. What are its core competencies? Which are the ones that are sustainable for long-term competitiveness?
- B. Explain how Mountain Hazelnuts designed its value chain from tissue culture to distribution and sales (e.g. in-house vs. outsourced... location of operations etc.), in light of its core competencies and technology.
- C. What are the stakeholders of this operation? What incentive alignment strategies are in place to ensure that these stakeholders are satisfied?

Case Questions **Aravind Eye Hospital**

- A. Identify the key factors that have led to Aravind's success. What is the product here?
- B. What has been Dr. V's role in all this? What about the clinical and support staff? Are they all dedicated and altruistic, or do they have an ulterior motive?
- C. Are there any weaknesses with the Aravind model? How are its satellite hospitals doing? The Eye camps? How would they expand and grow?

Week 12: Review, Buffer and Wrap-Up

Week 13: Start-up Pitches

Week 14-16: Final Report due