

## MAN 385.24 – ENTREPRENEURIAL GROWTH

Spring, 2010  
Unique #: 04470

### Course Overview

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### COURSE DESCRIPTION

This course is intended for anyone interested in starting a business, working for an entrepreneurial company, or working with entrepreneurial firms as an investor or advisor. The course is designed as a broad overview of technology enterprise design and implementation. The class also invites you to consider how your entrepreneurial initiative can make a difference to society.

This course answers such questions as:

- What are the steps involved in establishing a business enterprise?
- How do you operate and grow a new venture?

Entrepreneurship is an interdisciplinary pursuit. Entrepreneurial opportunities may arise from many fields, including engineering, natural sciences, communications and media, architecture, education, and music. Pursuing these opportunities requires building a team with a diverse knowledge base, including but not limited to management, technology, law, and finance. Accordingly, while Entrepreneurial Management is primarily designed as a course for graduate students in business, it is open to graduate students from all schools at the university. The class format is designed to integrate these varied backgrounds.

### COURSE OBJECTIVES

After completing this course you will be able to:

- Explain how the different business disciplines interrelate in the commercialization of new technologies and high tech products.
- Apply business principles at all stages in the technology commercialization process in a simulation exercise.
- Design an operating plan for the launch of a high tech product or service that is realistic and sustainable.

## REQUIRED COURSE MATERIALS

- The Marketplace Online Simulation Software (**estimated license fee is \$105 for the simulation. Instructions for signing up will be provided prior to session 6 – (2/4/10)**)
- The On-line Simulation Textbook, which is included in the Simulation
- “Founders at Work: Stories of Startups” Early Days” (Paperback) by Jessica Livingston
- Course Reader available at the Coop

In addition, other materials will be posted on Blackboard. You are expected to have completed assigned readings and preparation before participating in the required class activities.

**There is one required evening session that you will need to arrange your schedule to attend.**

- 2 February at 5pm in GSB 2.124 – Guest Speaker: Gary Hoover

## COURSE STRUCTURE

The Entrepreneurial Growth course involves a variety of teaching and learning methods. Course elements include, case discussions, readings, on-line discussion, lectures, guest speakers, and exercises. The unifying assignment for the course is a simulation exercise in which student teams compete against each other. Students will be assigned to teams randomly at the beginning of the simulation exercise. Teams will range in size between four to six persons.

## BLACKBOARD

Please Note: You are expected to check blackboard daily and to participate in any assigned activities throughout the semester.

### *Syllabus*

This area has the syllabus for the course as well as grading guidelines for contribution.

### *Assignments*

This area has instructions for assignments.

### *Course Documents*

This area contains folders with course materials.

## GRADING AND COURSE REQUIREMENTS

Consistency across courses and programs helps ensure a high quality student experience. With this in mind, the guideline that will be observed in this course for final grade distribution is: 3.5 +/- .05. Final grades earned are determined by a rank ordering of students by total points earned. This is consistent with standards for MBA elective. This is a guideline rather than a forced curve and as such the overall class average may be higher or lower than the above.

## File Name Convention

All major assignments are submitted electronically through Blackboard unless otherwise instructed.

Please use the following file name convention on all \*assignments\* that you submit.

For individual assignments – MAN385-24 LastNameFirstInitial AssignmentName

For team assignments – MAN385-24 TeamName AssignmentName

Note that there are spaces between the words, not dashes or underscores. When downloading from Blackboard or receiving multiple assignments as email attachments it is easy to mis-file them.

Following the naming convention above helps eliminate this possibility and is expected on all assignments unless otherwise instructed.

## Font Size and Margins on Assignments

All assignments in this course have page limits. Keeping with that spirit, there are also font size and margin requirements. For all documents, please use 1-1½ inch margins and Times New-Roman 12 point font. Line spacing is to be 1.5 or double-spaced. Assignments that circumvent page limits by changing font size and/or margins will be penalized.

## Grading

Your final grade will be determined based on the following:	
Class Contribution (Individual)	30%
Integrative Assignment (Individual)	10%
SIMULATION (Individual Component)	10%
SIMULATION (Team Component) (100 points)	50%
Total Individual	<b>50%</b>
Total Team	<b>50%</b>
<b>Total</b>	<b>100%</b>

## Honor Code

Each member of the class is expected to conduct him/herself in accordance with the policies of the University of Texas at Austin. All work turned in for a grade should be your work alone, unless specifically instructed otherwise. Penalties for unauthorized collaboration or research are severe.

## Individual Class Contribution (30%)

Graduate level study demands analysis, synthesis and evaluation of course concepts for a variety of situations and applications. To this end, active discussion is required in order to permit the exploration of ideas. *Therefore, as a member of this class, it is part of your responsibility to contribute to the learning of your peers.*

Class contribution includes your comments in case discussions, interactions with guest speakers during question-and-answer periods, and participation in class exercises. You are expected to read assigned material prior to class. You should also be prepared to answer the questions assigned for each case (see end of syllabus). Class contribution includes several homework assignments. Details for these assignments will be posted on blackboard.

### Purpose

- ✧ Reveal lessons from case examples through active discussion and debate
- ✧ Develop skills in effectively persuading others
- ✧ Leverage backgrounds and insights of all students to enrich class experience

### Evaluation Criteria

- ✧ Showed evidence of thorough preparation for exercises, cases, discussions
- ✧ Able to respond adequately when “cold-called.” All students should be prepared to answer any assigned study questions for each class session.
- ✧ Comments are constructive and conducive to a positive class environment (e.g., did not interrupt others or repeat points already made)
- ✧ Comments added value to discussions (e.g., integrated material, provided relevant examples, played devil’s advocate, gave constructive feedback).
- ✧ Note that class contribution is **not** evaluated on whether comments are “right,” but whether they reflect preparation. Thoughtful “wrong” answers can raise important issues and are often valuable for class discussions.
- ✧ Completion of assigned homework. Homework assignments are counted as an additional discussion session and assessed in a similar fashion.

### Additional Information

- ✧ A seating chart will be used to facilitate tracking of class participation
- ✧ Students who have language difficulties or other barriers to participation are encouraged to discuss these with the instructor early in the semester.
- ✧ Students are expected to come to class with written notes that answer the assigned case questions. These notes will be collected at the end of class 3-4 times during the semester on a random basis to assess case preparation. These will be returned.
- ✧ *Attendance is a key component of class participation. In order to accommodate interview schedules and other personal circumstances, **students are allowed to make-up two absences by writing up the assigned case questions** for credit for attendance w/o participation. *If there are no assigned case questions for that day, you must contact the professor for a substitute assignment.**
- ✧ *You are responsible for the material covered in all sessions. If you must miss a class session, it is **your** responsibility to obtain materials, notes, and announcements from your classmates.*
- ✧ ***Missing more than two class sessions is strongly discouraged. If you must miss a third class meeting, you may contact the instructor to discuss your class***

*participation. Four or more absences may result in a lowering of your overall course grade.*

Assessment of class contribution	Contribution Evaluation
<p><b>Outstanding contributor.</b> In-class contributions reflect exceptional preparation. Ideas offered are always substantive, and provide one or more major insights as well as direction for the class. Arguments are well supported, persuasively presented, and reveal that this person is an excellent listener. Comments invariably help others to move their thinking to a higher plane. If this person were not a member of the class, the quality of our discussions would be greatly diminished. Typically 5% of the class earns this evaluation.</p>	10
<p><b>Good contributor.</b> In-class contributions reflect thorough preparation. Ideas offered are usually substantive, and provide good insights and sometimes direction for the class. Arguments are generally well supported and often persuasive, and reveal that this person is a good listener. Comments usually help others to improve their thinking. If this person were not a member of the class, the quality of our discussions would be diminished considerably.</p>	9
<p><b>Adequate contributor.</b> Contributions reflect satisfactory preparation. Ideas offered sometimes provide useful insights, but seldom offer a major new direction for discussion. Supporting arguments are moderately persuasive. Comments occasionally enhance the learning of others, and indicate that this person is a passable listener. If this person were not a member of the class, the quality of our discussions would be diminished somewhat.</p>	8
<p><b>Unsatisfactory contributor.</b> Contributions in class reflect inadequate preparation. Ideas offered are seldom important, often irrelevant, and do not provide insights or a constructive direction for the class. Integrative comments and higher-order thinking are absent. This person does very little to further the thinking and potential contributions of others.</p>	7
<p><b>Non-participant.</b> The person has said little or nothing in this class to date and so has not contributed anything. Such persons are free-riders because they have benefited from the thinking and courage of their peers but have offered little in return. If this person were not a member of the class, the quality of the discussion would be unchanged or possibly improved.</p>	6

### **Integrative Assignment (10%)**

Integrative Assignments are written essays that will require you to synthesize course material. Additional information regarding the assignment topic and requirements will be provided in posted on blackboard.

#### Purpose

- ✧ Provide opportunities to creatively synthesize course material
- ✧ Promote analogical learning through comparison of multiple case examples
- ✧ Connect course material to personal experiences

Evaluation Criteria

- ☒ Integrates multiple aspects of course, including cases, guest speakers, readings, and in-class discussions (with specific references to course material)
- ☒ Displays thoughtful reflection of the lessons learned from the course material
- ☒ Action orientation
- ☒ Is well-organized, clearly structured and well-written
- ☒ (If applicable): Quantitative results are correct.

**Simulation Exercise (60% -- 10% individual and 50% team)**

*The Marketplace* simulation is a transformational experience. You will learn what it will be like to compete in the fast-paced, competitive market where customers are demanding and the competition is working hard to take away your business. In *The Marketplace*, you start up and run your own company, struggling with business fundamentals and the interplay between marketing, human resources, operations, finance, and accounting. You are given control of a simulated business and must manage its operations through several decision cycles. Repeatedly, you must analyze the situation, plan a business strategy to improve it and then execute that strategy out into the future. You face great uncertainty from the outside environment and from your own decisions. Incrementally, you learn to skillfully adjust your strategy as you discover the nature of your real-life decisions, including the available options, linkages to other parts of the business, conflicts, tradeoffs and potential outcomes.

<b>Team</b> performance against peer teams:	<b>15%</b>
<b>Team</b> Fundraising Request to Expand the Enterprise	<b>15%</b>
<b>Team</b> Report-to-Board Presentation	<b>20%</b>
<b>Individual</b> performance in assigned role on team	<b>10%</b>

**Your team is required to keep online Marketplace documents current (e.g., the pro formas and the tactical plan in the simulation software).**

There are several class sessions that are designation as “SIM Decision Rounds”. YOU ARE REQUIRED to BE AVAILABLE for executive team briefings and/or for negotiations with your competitors (licensing and outsourcing agreements in the 2<sup>nd</sup> half of the simulation).

**Note on emailing the TA or instructor:** When emailing the TA or instructor be sure to state your marketplace universe and your team name. (For example: JMar-MarsSTC Kronos.) This greatly expedites our ability to respond to your question in a timely manner.

**POLICIES**

1. **Changes to course syllabus.** The course schedule is subject to change at the discretion of the instructor. Among other reasons, scheduling changes may occasionally be required to accommodate changes in the availability of guest speakers. Schedule changes will be announced in class as well as on Blackboard.
2. **Emailing assignments.** Some assignments are submitted in both hard copy as well as electronically. When asked to submit an assignment by email, please label it in the following way:

<Course Identifier> <team name or your last name > <assignment name >

For example: MAN385 TeamA TTP-Description  
(note: example for the tactical team project description)

3. **Class e-mail communications.** Class announcements may be distributed via e-mail. In order to receive these announcements, **make sure the e-mail address listed for you on the BlackBoard site is correct.** This e-mail list is created by the registrar's office based on an e-mail address that you provided to them. You are the only one who can change it.
4. **Standards of professionalism.** All students are expected to fulfill basic standards of professional behavior. Failure to adhere to these standards may be reflected in your course grade. Professionalism includes:
  - a. On-time arrival to class.
  - b. Appropriate preparation for class. "Cold calling" may occur.
  - c. Not having side conversations during class.
  - d. Turning cell phones off.
  - e. Showing courtesy to guest speakers.
5. **Name cards.** Students are expected to display name cards in every class.
6. **NO Laptops.** Laptops are not allowed during class sessions. Any exceptions will be announced prior to class
7. **Late policy:** There is a **10%** per day penalty for late assignments. **Anything delivered after the start of class is considered late.** If some probable event may delay the timely submission of your assignments, plan now to turn them in early.
8. **Grievance procedure:** If you feel you have been graded unfairly in this course, you may use the following procedure to voice your complaint:

Within **TEN (10) DAYS** of receiving the grade, give me a **written** appeal. After ten days, I will assume that you agree with my assessment and consider the grade final. To file an appeal, prepare a **written statement** detailing why you think the grade is unfair. Be sure to document your reasons by referring to inconsistency in grading standards, incorrect point calculations, etc. Submit the written statement together with the graded material (if appropriate). I will consider your complaint and make a decision. If you are not satisfied with my decision, you may use university grievance procedures as your "appeal." Please note that I will document fully my rationale for all grades.

9. **Notice about Web-based class information:** Password-protected class sites will be available for all accredited courses taught at The University. Syllabi, handouts, assignments and other resources are types of information that may be available within these sites. Site activities could include exchanging e-mail, engaging in class discussions and chats, and exchanging files. In addition, class e-mail rosters will be a component of the sites. Students who do not want their

names included in these electronic class rosters must restrict their directory information in the Office of the Registrar, Main Building, Room 1. For information on restricting directory information see: <http://www.utexas.edu/student/registrar/catalogs/gi04-05/app/appc09.html>

## **Academic Dishonesty**

I have no tolerance for acts of academic dishonesty. Such acts damage the reputation of the school and the degree and demean the honest efforts of the majority of students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

The responsibilities for both students and faculty with regard to the Honor System are described on <http://mba.mcombs.utexas.edu/students/academics/honor/index.asp> and on the final pages of this syllabus. As the instructor for this course, I agree to observe all the faculty responsibilities described therein. During Orientation, you signed the Honor Code Pledge. In doing so, you agreed to observe all of the student responsibilities of the Honor Code. If the application of the Honor System to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

As specific guidance for this course, you should consider the *writing* of all examinations to be an individual effort. Group *preparation* for examinations is acceptable and encouraged. Homework assignments are to be turned in individually but I encourage you to work together in answering the questions. You should, however, develop your own answer (point of view) and not cut and paste the work of others.

## **Students with Disabilities**

Upon request, the University of Texas at Austin provides appropriate academic accommodations for qualified students with disabilities. Services for Students with Disabilities (SSD) is housed in the Office of the Dean of Students, located on the fourth floor of the [Student Services Building](#). [Information on how to register](#), [downloadable forms](#), including [guidelines for documentation](#), accommodation request letters, and releases of information are available online at <http://deanofstudents.utexas.edu/ssd/index.php>. Please do not hesitate to contact SSD at (512) 471-6259, VP: (512) 232-2937 or via [e-mail](#) if you have any questions.

**COURSE SCHEDULE**  
(SUBJECT TO CHANGE)

**Course Schedule**

(subject to change)

**C: Course reader**

**CH: Course Handout (handed out at end of prior class)**

**B: Blackboard**

**H: Class handout**

**FAW: Founders at Work**

**SIM: Online text in simulation software**

**\*: Be prepared to discuss questions at end of syllabus**

	Date	Topic	Class Preparation	Hand In
1	Tuesday 19 January	Course Overview	<b>B: Skim: How to Read a Financial Report</b>	
	<b>Part I:</b>	<b>Who Are Entrepreneurs?</b>		
2	Thursday 21 January	<b>CLASS DOES NOT MEET TODAY</b>  <i>In lieu of class today there will be a required evening guest speaker session 2/2/10</i>	<b>C: An Introductory Note on the Case Method</b>	
3	Tuesday 26 January	<b>What is Entrepreneurial Management?</b>	<b>C: The Financial Perspective: What Should Entrepreneurs Know?</b> <b>C: Note on Structural Analysis of Industries</b> <b>C: A Perspective on Entrepreneurship</b>  <b>C: *R&amp;R*</b>	<b>Student Profile (posted on Blackboard; fill out, add photo, and turn in a hard copy)</b>  <b>Resume</b>
	<b>Part II:</b>	<b>Opportunities</b>		
4	Thursday 28 January	<b>Evaluating Opportunities</b>	<b>C: Some Thoughts on Business Plans (Key Course Reading)</b> <b>C: A note on pre- and post-money valuation</b>  <b>B: Online Socrates*</b>	<b>**Seating Chart Day**</b> <i>Your seat today will be your seating chart position for the semester</i>

	Date	Topic	Class Preparation	Turn In
5a	Tuesday 2 February	Business Models I	C: Note on Business Model Analysis for the Entrepreneur  C: *Zipcar*	Zipcar fishbone Assignment (make a copy to use during class)
5b	Tuesday Evening 2 February  Time: 5-7pm Room: GSB 2.124	Evening Guest Speaker: Gary Hoover  (in lieu of 2/21/10 class session)	TBA	
Part III:		Gathering Resources & Launching the New Venture		
6	Thursday 4 February	Simulation Introduction  Simulation Quiz	Sign-up for Simulation on Web.  B: Game Scenario B: Decisions by Quarter B: How to use Marketplace	Gary Hoover reflections (1 page)  Simulation signup
7	Tuesday 9 February	Business Models II  'changing the business model'	C: Why business models matter  C: *Profit Logic	
8	Thursday 11 February	Q1 Decision Round "Setting up Shop"  (note: Teams must be available during this the scheduled class time to meet with the teaching team on request.)	Marketplace Online Text: • Overview	SIM Q1 Decision Due 11:00 pm
9	Tuesday 16 February	Lecture  "Evaluate Market Opportunities, Set up Operations, and Prepare for Test Market"	Marketplace Online Text: • Chapter 3 ("Objectives, Strategy, and Tactics" through "Scheduling" pp.82-86) FAW: Chapter 3, Steve Wozniak-Apple Computer	
10	Thursday 18 February	SIM Q2 Decision Round  "Evaluate Market Opportunities, Set up Operations, and Prepare for Test Market"  (note: class does not meet)	Marketplace Online Text: • Chapter 4 (pp. 116-127) • Chapter 5 (pp. 143-145) • Chapter 6	SIM Q2 Decisions Due 11:00 pm

	Date	Topic	Class Preparation	Turn In
11	Tuesday 23 February	Gathering Financial Resources I	C: Angel Investing C: Angel Investing: Innovation in the Establishment C: *Walnut Vent (A)*  Founders at Work: Chapter 1, Max Levchin: Cofounder, Paypal. pp. 1-16.	
12	Thursday 25 February	SIM Q3 Decision Round “Going to Market and Testing Strategy and Assumptions”  (note: Teams must be available during this the scheduled class time to meet with the teaching team on request.)		SIM Q3 Decision Due 11:00 pm
13	Tuesday 2 March	Gathering Financial Resources II	C: Deal structure and deal terms C: Issues related to investment securities (TEGTBL pp. 146-154) C: Rights of preferred stock (CH 13 TEGTBL, pp. 445-454) C: A Note on Private Equity Securities  CH: *Walnut (D)*	Walnut D Assignment due  Laptops Allowed **Analysis May Require Extra Prep Time**
14	Thursday 4 March	SIM Q4 Decision Round “Evaluate Test Market Performance and Revise Strategy”  (note: Teams must be available during this the scheduled class time to meet with the teaching team on request.)	Simulation Text: Review Chapters already assigned.	SIM Q4 Decisions Due 11:00 pm
15		Executive Briefings with the Teaching Team Location: TBA	Founders at Work: Chapter 21, Charles Geschke, Founder Adobe systems. pp. 281-296.	
16		Work in teams on SIM (Note: Class does not meet.)		
		SPRING BREAK		
		SPRING BREAK		

	Date	Topic	Class Preparation	Turn In
17	Tuesday 23 March	Lecture: “Seeking External Funding – Prepare Growth Plan and Propose Equity Investment Deal”	Marketplace Online Text: <ul style="list-style-type: none"> <li>Chapter 9</li> <li>Chapter 13 (pp. 306-314)</li> <li>Chapter 14</li> </ul>	
18	Thursday 25 March	Documentary: Startup.com Part 1	Simulation Text: Review Chapters already assigned. Founders at Work: Chapter 6, Mitchell: Cofounder, Lotus Development. pp. 89-102.	POCD analysis of Part 1 at end of class session (template passed out in class).
19	Tuesday 30 March	<b>Q5 Executive Briefings</b>  Teams pitch their plans to McCombs venture partners (the teaching team) per schedule TBD	<b>C: Putting the Balanced Scorecard to Work</b>  <b>B: View Startup.com Documentary posted on blackboard</b>	<b>8:00am Q5 Fundraising Request</b>  8:00 am Reflections on Startup.com Part 2 (1-page)
20	Thursday 1 April	<b>Q5 Executive Briefings</b>  Teams pitch their plans to McCombs venture partners (the teaching team) per schedule TBD		<b>SIM Q5 Decisions Due Friday 2 April 11:00 pm</b>
<b>Part IV:</b>		<b>Growing the Venture</b>		
21	Tuesday 6 April	Lecture: Q5 Debrief and simulation end game  “Execution: Creating value in new ventures”	Marketplace Online Text: <ul style="list-style-type: none"> <li>Chapter 8</li> <li>Chapter 15</li> </ul> Founders at work: Chapter 19, Caterina Fake: Cofounder, Flickr. pp. 257-264.	Integrative Assignment Due
22	Thursday 8 April	SIM Q6 Decision Round  (Note: Teams must be available during this the scheduled class time to meet with the teaching team on request.)	Marketplace Online Text: Review Chapters already assigned.	SIM Q6 Decisions Due 11:00 pm
23	Tuesday 13 April	Social Entrepreneurship  Integrated Operations	C: *Aravind Eye Hospital, Madurai, India: In Service For Sight*	

	Date	Topic	Class Preparation	Turn In
	<b>Part V:</b>	<b>Expansion and Liquidity</b>		
24	Thursday 15 April	SIM Q7 Decision Round  “Monitor, Improve, and Execute”  (Note: Teams must be available during this the scheduled class time to meet with the teaching team on request.)		SIM Q7 Decisions Due 11:00 pm
25	Tuesday 20 April	Lecture  SIM Report to the Board and Liquidity events	Founders at work: Chapter 10, Mike Laxaridis: Cofounder, Research in Motion. pp. 141-152.	
26	Thursday 22 April	SIM Q8 Decision Round  (Note: Teams must be available during this the scheduled class time to meet with the teaching team on request.)		SIM Q8 Decisions Due 11:00 pm
27	Tuesday 27 April	The nature of promising ventures	No preparation for session –work on your RTB	
	<b>Part VI:</b>	<b>Reporting to the Board</b>		
28	Thursday 29 April	SIM Team Report to Board Presentations		8:00 am SIM Report to Board PPT with presentation Script in Notes Pages
29	Tuesday 4 May	SIM Team Report to Board Presentations		
30	Thursday 6 May	SIM Team Report to Board Presentations		

## CASE PREPARATION QUESTIONS

### R&R

1. What factors created an opportunity for Bob Reiss and the "TV Guide Game?"
2. What were the risks and rewards faced by Bob Reiss and other participants in the enterprise?
3. Would this approach have worked for Parker Bros. or Milton Bradley?

### Online Socrates

1. Evaluate the Online Socrates business idea and plan based on the people-opportunity-deal-context (PODC) framework
2. The business plan suggests that Online Socrates needs to raise \$335K in order to reach "self-sustained growth." How realistic is this estimate? How much money do you think Online Socrates should raise, and why?
3. What could go wrong for Online Socrates? What could go right?

### Zipcar

1. Evaluate this potential venture and the progress that Chase has made.
2. 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? Do these data give you comfort or concern? (hint: do a fishbone of the business-model, include planned v. actual results)
3. What actions should Chase take as a result of the September operating results?
4. 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?

### ProfitLogic

1. Assess the opportunity that ProfitLogic is pursuing and its success to-date
2. How should Friend respond to Smithfield's request?
3. Compare the cash flow characteristics of each business model. Which has superior economics on a per customer basis? Which has superior economics on a total cash flow basis?
4. Assume ProfitLogic could grow the customer base for each business model at a) 2X baseline growth rate or, b) 0.5X baseline growth rate. What are the implications on the attractiveness of each business model and on the cash flow generated by ProfitLogic in each scenario?
5. What other factors need to be taken into consideration as Friend decides which business model to pursue?
6. Which strategy would you recommend ProfitLogic follow? What is required to successfully implement this recommendation?

## **Walnut Ventures (A)**

This case is the first on sources of financing and focuses on angel investors. The angel investors in this case like the entrepreneur and the business, and want to invest. What do they need to do before they can feel comfortable actually writing a check? The case includes lengthy excerpts from the company's business plan. Please read pages 1-11 especially carefully and then focus your attention on those portions of the business plan that your analysis suggests are particularly important. Think about any issues you would want to dig into more deeply, and how you would accomplish this.

1. Who are angel investors? Why are they investing in start-ups? Why would an entrepreneur seek financing from an angel?
2. Evaluate the potential investment in RBS from Walnut's point of view
3. As a Walnut investor, what critical issues do you see as requiring more investigation/due diligence on your part prior to investing, and how would you accomplish that? What level of comfort/certainty would you need to have prior to investing?
4. As Bob O'Connor, what issues/concerns do you have related to Walnut's investing in your business, and how would you resolve those issues?

## **Walnut Ventures (D)**

1. What do you think the investors are trying to accomplish?
2. What is a reasonable, back-of-the-envelope valuation for RBS in June 1998?
3. Assume that in five years RBS is liquidated for \$3 million. If the deal proposed in the term sheet is accepted, who will receive the \$3 million? If RBS is liquidated for \$10 million, or \$30 million in five years, who will receive the money? Hints: Assume Series A has preference over Series B; See BlackBoard for an Excel template for your analysis
4. What proposed terms do you find most troubling and why? What would you try to renegotiate and what might you be willing to give up to get what you want?

## **Aravind Eye Hospital, Madurai, India: In Service for Sight**

1. How do the Aravind Eye Hospitals achieve such exceptional results, offering free service to 60% of patients and still generating a 52% operating margin? Is this performance sustainable? Why or why not?
2. How much does it cost to deliver an operation in Aravind's Hospitals in 1991?
3. Compare the productivity of Madurai's doctors to other doctors in India. What accounts for the difference?
4. Do you see problems developing at Aravind, particularly at T-Valley (Tirunelveli) and Theni? If so, what are they, and how might they be addressed?
5. What should Dr. V. do going forward to achieve his goal of eradicating blindness in India, Asia, and Africa?