**Managing Venture Growth and Transitions**

**Course Outline**

**Summer 2017**

**Tuesdays, 7:00 – 10:00pm, beginning May 2, 2017**

**W136 SSB**

Dr. Charlene Zietsma, czietsma@psu.edu.

**Brief Description**

The focus in this course is on firms that are seeking to manage growth and successfully navigate issues of transition from the start-up phase and are preparing to rapidly grow into viable, sustainable businesses. Examples of the concepts discussed in the course include: understanding of fit between personal and business goals, your own personal leadership journey, business life cycles; scaling strategies, implementation tactics for navigating through the relatively chaotic rapid growth phase,  harvesting options; valuation of firms with track records; and corporate governance, including issues related to family businesses. The course will examine such growth options as partnering and internationalization, and will pay particular attention to challenges of financing growth and marketing for growth and leaders motivations. In this course, students will prepare a plan for a venture that is in a transitional phase and that is seeking to grow.

Prerequisites: All 5000-series Required Foundations of Management Core Courses.

**Course Learning Outcomes**

Through  highly interactive cases studies, lectures, written assignments, a consulting project and guest speakers (when available), the course simulates the experiences that entrepreneurs undergo in managing a rapidly growing venture. In addition to the early-stage opportunity assessment and start-up skills covered by ENTR 6605, entrepreneurs also face a range of practical strategic management problems to accelerate and control the growth of their developing firms:

* What is the best way to grow the venture? Geographic expansion or product extensions?
* What are the alternative ways to finance growth?
* To what extent should organizational processes become systematized?
* How can the organization become more structured without losing entrepreneurial spirit?
* What competencies or capabilities will be needed within the venture as it grows and matures?
* How do the personal goals of the entrepreneur fit with a rapidly growing firm?
* Evaluate leader behavior in growth situations and recommend leadership strategies

This course focuses on the challenges and strategies associated with “scaling up” entrepreneurial organizations or corporate ventures as they successfully move past the start-up phase and are preparing to rapidly grow into viable, sustainable businesses.  This course will not be able to address all the management problems encountered in growing a venture, but it will familiarize you with the range of these issues and help you to think about them systematically. The cases in this course all have an action focus, placing you in the position of an entrepreneurial manager who must make decisions and take actions that will help their venture to grow and reach critical scale.  You will learn how to ask the right question.

The course also deals with how entrepreneurs can monetize the value of the enterprise they have created. We will consider a range of alternatives: going public, selling to another company, employee buy-outs, remaining private. Our exploration of the topic will show that this choice is not a purely economic one, but also includes some personal choices. We will cover practical topics including how businesses are valued and financed.  Although not a technical valuation and finance course, familiarity with the concepts and terms will be developed.

This course is especially relevant for aspiring entrepreneurs interested in owning, growing, or advising entrepreneurial based businesses.

**Deliverables at a Glance**

Students are expected to do reading assignments, participate actively in class, and complete written assignments/projects. In the table below, the impact of each task on your final grade for the course is indicated in the “% weight” column.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Assignment/Task  | Quantity  | % Weight  | Total %  | Author  |
| Case assignment  | 1  | 20  | 20  | Individual  |
| Mid-term exam  | 1  | 25  | 25  | Individual  |
| Business plan and presentation  | 1  | 35  | 35  | Group  |
| Class participation   | 1  | 20  | 20  | Individual  |
|   |   |   | **100%**  |   |

|  |  |
| --- | --- |
|  Tuesday, May 2, 2017 (1)  |  **The Challenges of Entrepreneurial Growth**  **Introduction to the Course** This class will introduce and outline the key issues facing entrepreneurial firms trying to stimulate, and undergoing, rapid growth phases.   **Read:** 1. Greiner, L. E. (1998). Evolution & Revolution as Organizations Grow. Harvard Business Review, May-June. Reprint 98308. (L).
2. Bussgang, J. (2015). Scaling the chasm:

<http://bostonvcblog.typepad.com/vc/2015/01/scaling-the-chasm.html> 1. Harnish, V. (2014).  Scaling Up: How a few companies make it and the rest don’t.  Ashburn, VA: Gazelles Inc.  Free chapter (downloadable at [www.scalingup.com](http://www.scalingup.com/)): THE BARRIERS: Leadership, Infrastructure, and Market Dynamics

   |
|   |   |
| Tuesday, May 9, 2017 (2)  | **Nail it, then Scale it: Growth Hacking**  This class focuses on growth hacking for start ups and ensuring a viable business model is identified before scaling.   **Case:  Bazaart**  **Read:** 1. Eisenmann, T. (2014). Business Model Analysis for Entrepreneurs.  Harvard Business Press, 812096. (CP)
2. Kim, W.C., & Mauborgne, R. (2004). Value Innovation. The Strategic Logic of High Growth.  Harvard Business Review, July-August.  Reprint R0407P. (L)
3. http://www.joshhannah.com/2010/07/ab-testing-can-you-iterate-your-way-to-great-products/
4. http://www.startup-marketing.com/milestones-to-startup-success/
5. http://www.startup-marketing.com/the-startup-pyramid/

   |
|   |   |
| Tuesday, May 16, 2017 (3)  | **Building Momentum**  This class examines choices the entrepreneur makes as the business starts to grow.    **Read:** 1. Cash flow management: Churchill, N.C., & Mullins, J.W. (2001). How fast can your company afford to grow?  Harvard Business Review, 79(5), 135-142. **(L)**

  **Case: Joint Juice** – HBS – 803-146 Rev July 19, 2003 **(CP)**  1. Evaluate the progress the JJ management team has made. Is the business model proven? What risks remain? In your view, what could the team have done to wring more uncertainty out of the business model along the way? 2. Evaluate the opportunity to go national with Safeway and Albertsons. Should JJ pursue it? Is so, what specific strategy should they follow? What resources and capabilities will be required to execute this strategy successfully?                           3. Can JJ go national and – at the same time – continue to experiment and adapt its model, or, does going national require “locking in” a particular strategy? If you believe the company can continue to learn as it expands, what would you recommend they try to learn, and how specifically should they go about it? If they choose not to go national, what should their strategy be?   |

|  |  |
| --- | --- |
|  Tuesday, May 23, 2017 (4)  |  **Scaling and Professionalizing**  **Read:** 1. Davila, A., Foster, G., & Jia, N. (2010). Building sustainable high-growth startup companies: Management systems as an accelerator.  California Management Review, 52(3), 79-105. **(R)**
2. Gulati, R. & DeSantola, A., (2016).  Start-Ups that Last.  Harvard Business Review, 94 (3), 14. Reprint R1603C  **(L)**

  **Case: Open English**- HBS814-020 **(CP)**  **Questions:** What is the correct path for Open English and why?    |
|  Tuesday, May 30, 2017 (5)    |  **Product Market Expansion**  **Read:** 1. Eisenmann, T.R. (2011). Scaling a startup: Pacing Issues. HBS Background Note:  812099-PDF-Eng.(CP)
2. **Partnerships:**<http://blog.openviewpartners.com/building-your-partner-ecosystem-who-are-your-potential-ecosystem-partners/>

 **Case: Addrec Solutions (CP)**   |
|  Tuesday, June 6, 2017 (6)   |  **Growing Pains**  **Read:** 1. Harnish, V. (2014).  Scaling Up: How a few companies make it and the rest don’t.  Ashburn, VA: Gazelles Inv.:  Rockefeller Habits.  Bonus chapter:  Strategic Planning:  Preparing and Leading the Planning Process, plus Rockefeller Habits Checklist (available for download on the website: <https://scalingup.com/>).
2. Alvarez, C. Hiring the RIGHT “Big Company” People for Startups.

<http://www.cindyalvarez.com/best-practices/hiring-the-right-big-company-people-for-startups>  **Case: Charles Chocolates (CP)**   |
|  Tuesday, June 13, 2017 (7)   | **More Growing Pains**  **Read:** 1. Cohn, J. M., Khurana, R., & Reeves, L. (2005). Growing talent as if your business depended on it. Harvard business review, 83(10), 62. (L) 2. Scaling a Startup: People and Organizational issues – Eisenmann & Wagonfeld – HBS notes – Jan 2012 –HBS 812100 **(CP)**  **Case: CloudFlare, Inc: Running Hot**– HBS 813145**(CP)**      1.   What should Cloudflare's founders do?    |
|  Tuesday, June 20, 2017  (8)   |  **Even More Growing Pains**  **Read:** 1. Jeff Dyer, Hal Gregersen and Clayton M. Christensen, (2011).  Putting The Innovator’s DNA into Practice:  How Innovative Leaders Institute processes that Encourage the Discovery Skills of Disruptive Innovation, HBR Press – 8385BC. (CP).
2. **Dashboarding:** Mullins, J., & Komisar, R. (2011). Measuring up: Dashboarding for innovators. Business Strategy Review, 22(1), 7-16. (R)
3. **Metrics:**<http://bostonvcblog.typepad.com/vc/2015/02/why-metrics-get-worse-with-scale.html>

 **Case: Micromax: Scaling the Largest Indian Mobile Handset Company**- HBS415-034**(CP)** 1. What is the history of Micromax?
2. Where is the opportunity in the global handset market?
3. What should the founders do?  Why?
4. Who could they partner with and why?

  |
|  Tuesday, June 27, 2017 (9)   |  **Harvesting Growth**  **Read:** 1. Chapter15 - The Harvest and Beyond - New Venture Creation - Spinelli, Ensign and Adams - 2nd Edition - McGraw- Hill **[Note this is the text for ENTR6605] (R).**
2. Harvest Time: Reaping What You’ve Sown. Harvard Business School Press, 5436BC. (CP).

 **Case: Honest Tea: Sell up or sell out?**WDI Case W94C20 (CP).   1. What are the pros and cons of remaining independent? Going public? Selling the company? 2. What should management do?    |
| Tuesday July 4 (10)  | **Mid-term Exam**     |
|  Tuesday, July 11, 2017  (11)   |  **Growth by Acquisition**  **Read:** 1. Nolop, B., (2007). Rules to Acquire By. Harvard Business Review, September, p. 129-139. (L) 2. Bourgeois, L.J. & Hoeber, H. (2012). Strategic M&A Analysis.  Darden Business Publishing Note UV6575.  (CP)  **Case:  Peer Medical (handout).**    |
|  Tuesday, July 18, 2017  (12)   |  **Growing Global**  **Read:** 1. Kerr, W.R. (2016). Harnessing the Best of Globalization. MIT Sloan Management Review, Fall issue, pp. 59-67. (R)

 **Case: Vice Media (CP).**  1. What have been the keys to Vice Media’s success up to this point?
2. What is likely to scale directly and what will need to be adapted?
3. How should they organize their international expansion?
4. What growing pains are likely to arise and what would you recommend?

  **Final Case Presentations**   |
|   |     |

**Written Assignments/Projects and Exam[s]: Descriptions**

**Case Assignment – 20% (Varying due dates).**

Once during the term you will be required to prepare a written analysis of one of the case studies, including your identification of the key issues and your recommendation for the appropriate managerial response (a rubric will be posted on the course management system). The assigned case will be one of the cases assigned to the class (Joint Juice, Open English, Addrec, Charles’ Chocolates, Cloudflare, Micromax or Honest Tea), and will be due before the class begins during which the case will be discussed. Students will be asked to sign up for a case in week 1, with students being distributed equally across cases.  Your case write up should be no more than 1500 words, exclusive of exhibits. Exhibits should be explanatory only, with key insights being in the text of the paper. Words in excess of 1500 will attract penalties (e.g., if you are 10% over in your wordcount, your grade will be reduced by 10%).  Please hand your case write up in electronically before class begins, using the file name convention:  [yourname]-[casename]. Please use 12 point font, and hand in a word document, not a pdf.

**Mid-term Exam – 25% (July 4, 2017).**

There will be a mid-term case exam during **Week 10. Attendance is mandatory**. Students will receive advanced instructions a few weeks before the exam.

**Business plan and presentation – 25% Report, + 10% Presentation.  Due July 18, 2017.**

You will be assigned a consulting project focused on growth issues which you are expected to work on in your teams. The project will involve a real organization, and it will be up to you to communicate with the organization, gather data, analyze it, and report back to the organization. In 2500 words or less (exhibits excluded), prepare a team consulting case analysis of the case you have been working on.

The case write-up should include:

* An executive summary offering an overview of your analysis
* Identification of the major issues in the organization
* A situational analysis that explores problems and opportunities, firm resources and capabilities and shortcomings
* Criteria that you will use to evaluate potential solutions
* Alternative courses of action that enable growth
* Your plan of action including implementation and justification
* A copy of your presentation slides (not included in word count)
* A brief post-mortem reflection of your communications with your client and what went right/what could have been better.

Your report (without the post-mortem analysis), should be delivered to the client as well in a presentation along with the written report.

In class on July 18, each team will have 15 minutes to present and respond to questions from the audience.  This is an opportunity for you to experience what a presentation of a business plan is all about.  You will advise me on the “role” you want the audience to assume.  They could be a private equity fund from which you are seeking growth capital, or it might be the Board of Directors that you are seeking approval from.  The degree to which your presentation is tailored to your chosen business will be the forum we adopt.  Business attire and appropriate role play is required for each presenter.

Your report and presentation grades will be based upon the viability of the proposal, and the completeness and professionalism of the business plan and presentation. It will be assessed on the degree to which you sell your business proposal as the appropriate growth opportunity for the company. In the past class, students found this exercise to be one of the best learning tools they experienced.

**Additional Comments:**

* Be sure to keep an extra copy of all assignments that you hand in.
* It is your responsibility to clarify any ambiguities that you may find in course materials or syllabus.

**Evaluation of Written Assignments/Projects and Exams**

In most cases the **assignments** are meant to put you in the position of the entrepreneur making the decision.  Your grade is determined by how well you present a supported argument for your position.  A grading grid will also be posted on the CMD which will deal with minimum items to deal with however the overall Alpha grade will be determined by how well you articulate and support your final decision.

Advanced **mid-term exam** instructions will be posted a few weeks before the exam.  Normally the exam is 3 hours long and consistent with the rest of the course will have a case. Your grade will be determined by how well you articulate your argument for your decision.  More detailed instructions will be provided prior to the exam.

Your **group project** will be evaluated on how well you have researched and established a solid argument for your position.  More detailed instructions will be posted on the course management system.

Quick Reference: Summary of Classes, Activities and Deliverables

|  |  |  |  |
| --- | --- | --- | --- |
| **Class No., Title and Date**  | **In-Class Case/Exercise**  | **Reading Preparation (excluding cases and optional readings )**  | **Written Preparation**  |
| **1.** **May 2** **The Challenges of Entrepreneurial Growth**   | Provided in Class  | * Greiner (1998). Evolution & Revolution as Organizations Grow.
* Bussgang (2015). Scaling the chasm.
* Harnish (2014). Scaling Up.
 |   |
| **2.** **May 9** **Nail it, then Scale it: Growth Hacking**     |  Bazaart  | * Eisenmann (2014). Business Model Analysis for Entrepreneurs
* Kim & Mauborgne (2004). Value Innovation.
* AB testing blog
* Milestones to  startup success blog
* Startup pyramid blog
 |   |
| **3** **May 16** **Building Momentum**  | Joint Juice    | * Churchill & Mullins (2001). Cash Flow Management.

  |   |
| **4.** **May 23** **Scaling & Professionalizing**   | Open English    | * Davila, Foster & Jia (2010). Building sustainable high-growth startup companies.
* Gulati & DeSantola (2016). Startups that last.
 |   |
| **5** **May 30** **Product Market Expansion**  | Addrec Solutions  | * Eisenmann (2011). Scaling a startup: Pacing issues.
* Partnership eco-system blog.
 |   |
| **6.** **June 6** **Growing Pains**   | Charles Chocolates  | * Harnish (2014). Scaling Up: Strategy chapter & Rockefeller Habits checklist.
* Alvarez blog.
 |   |
| **7.** **June 13** **More Growing Pains**   | CloudFlare Inc.   | * Cohn, Khurana, Reeves (2005). Growing talent as if your business depended on it.
* Scaling a Startup:  People & Organizational Issues.
 |   |
| **8** **June 20** **Even More Growing Pains**  | Micromax: Scaling the Largest Indian Mobile Handset Company   | * Dyer, Gregerson & Christensen (2011). Putting the innovator’s DNA into practice.
* Mullins & Komisar (2011). Measuring up: Dashboarding for innovators.
 |   |
| **9** **June 27** **Harvesting Growth**  | Honest Tea  | * Spinelli, Ensign & Adams, Ch. 15
* Managing the Growing Venture
* Harvest Time: Reaping What You’ve Sown.
 |   |
| **10** **July 4, Mid-term Exam**  | Mid-term Exam  |   |   |
| **11** **July 11** **Growth by Acquisition**  | Peer Medical  | * Nolop (2007). Rules to Acquire By.
* Bourgeois, Hoeber (2012). Strategic M&A Analysis.
 |   |
| **12.** **July 18** **Presentation**  | Vice Media  | * Kerr (2016). Harnessing the Best of Globalization.
 | Final Case Presentation and Reports.   |