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BMGT 448.01: Entrepreneurship

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BMGT 448

ENTREPRENEURSHIP: VALUE INNOVATION

SoBA Mission Statement: The University of Montana's School of Business Administration enhances lives and benefits society by providing a world-class business education in a supportive, collegial environment.

BMGT 448 – *Entrepreneurship: Value Innovation*

Instructor:

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Wednesday & Thursday, 2.00 – 3.00 PM
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About this Course:

Welcome! This is the COB's course on entrepreneurship and value innovation. Over the span of your undergraduate business education, you are being exposed to a wide variety of disciplines (e.g. marketing, finance, management, accounting, MIS, etc.), in the process learning the tools to help you work *in* a business. This course is intended to teach you how to work *on* a business. Value innovation is at the core of entrepreneurship but it reaches beyond start-ups to any organization seeking to create, capture and deliver value. Over the next few months we will pursue answers to the followings questions: *Where does innovation come from? How is value created and captured? What is the infrastructure necessary to deliver the value to customers? And, is the enterprise financially and competitively sustainable?* To answer these questions, we will draw on recent tenets of Business Model Innovation, which draw heavily from the fields of entrepreneurship, intrapreneurship, strategy, and innovation. By extension, we will rely on ideas and skills from a variety of functional areas (e.g., accounting, operations, information systems, finance, marketing, and management) to attend to the various building blocks of our guiding framework, the Business Model Canvas. This class has multiple facets to it: readings, case studies, discussions, individual assignments and, finally, a Business Model Project (BP) development and presentation. The BP will be a team-based, semester-long project where you will be asked to disassemble and reassemble the business model of an assigned company. ***Be prepared to burn calories in this class!*** That said, also realize that this course reflects the type of real-world critical thinking and problem solving you'll encounter once you graduate.

Course Purpose and Process:

The purpose of this course is to make you better *value innovators*. What exactly does this mean? Regrettably, common conceptualizations of entrepreneurship are often limited to just high-tech start-ups (think Facebook or Twitter). Yet, entrepreneurship comes in many different forms – in everyday lifestyle businesses in your neighborhood, in next-generation family enterprises, in corporate innovations, and even in turnaround situations of mature concerns. At the core of value innovation is a simple concept: no matter how nifty a product, how unique a service, or how groundbreaking a technology, without a sharp, well-defined and effective business model, the innovation will be, at best, short-lived and, at worst, dead out the gate. As a value innovator, you will learn to see the business not for its products and services but, dynamically, for its interdependent parts that make for an efficient and effective profit-generation machine. By the end, you should have an in-depth grasp of how to recognize, assemble, or disassemble and reassemble any business opportunity, whether you're trying to start it, fix it or supercharge it. As we progress through the semester, our aims will be for you to:

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- *Create an active and dynamic entrepreneurial mindset*
- *Recognize and capitalize on demand-driven opportunities*
- *Hone your pattern recognition abilities*
- *Enhance your problem solving skills*

To help refine these skills, one of the main deliverables in this class will be a Business Model Recommendation. The project throughout the semester, ending with the recommendation, is meant for you to “peel the layers” of a company’s business model using a variety of strategic and operational frameworks and tools. Working in teams, you will have four “mini-presentations” throughout the semester where you deliver your findings. The final Business Model Recommendation asks you to recommend a “pivot” to your company’s business model – that is, a tweak to the business model and its building blocks that can take the company to the next level (profitably!). In this way, the BP will tie together the diverse parts of the course, as well as integrate the various disciplines you have learned over your time at CoB. Lastly, it will provide you with a ‘product’ to take with you when you enter the job market.

Expectations for this Course:

SHOW UP, BE ON TIME & COME PREPARED! This class is based on an on-going, interactive discussion. At a minimum, **YOU NEED TO DO ALL ASSIGNED READINGS**. Try to think through the main points and issues and how they play out in real-world scenarios.

I expect you **TO PARTICIPATE (15% of your grade)** since the class is much better served through an interchange. Active participation will result in a higher participation grade. Your contributions should be thoughtful and inclusive of the frameworks and themes we have covered. As the course progresses, I expect your presentations to reflect the various articles, case studies, frameworks and class discussions. Included in the 15% participation grade is your contribution to your team’s development of the BMP – dropping below a specific threshold in terms of peer evaluations can erase your other contributions!

It is critical that you get familiar with the course syllabus – it will help set your expectations of the workload for the class. Keep in mind that this syllabus is a rough guide, and that changes may occur during the semester.

Objective of the Course:

1. Learn how entrepreneurship and innovators create opportunities and capture the rewards of their activities (or how they might miss them).
2. Apply and integrate knowledge acquired during your career as a student to real business problems, involving analysis, solution development, and implementation.
3. Sharpen your communication skills by developing and presenting it to an audience.
4. Engage in critical thinking and problem solving.
5. Recognize the interaction between different business areas, e.g. innovation/R&D, production/operations, financing, accounting, management, and marketing.
6. Develop basic managerial skills such as leadership, decision making, and prioritizing.

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7. Perform as part of a group of peers challenged by a demanding project with severe time constraints.
8. Improve skills in achieving group effectiveness.
9. Show integrity, courtesy, reliability, and respect for others through team work.
10. Learn to teach yourself by working independently.

Class Materials

1. **Business Model Generation** – Alexander Osterwalder & Yves Pigneur (Wiley: 2010)
This practitioner book is *the* primer to in the start-up community on the art and science of business modeling. Please purchase a **paperback edition** through Amazon.com as soon as possible: new paperback editions are \$22.00, although they can be as low as \$11.00 through other vendors. Should your shipment be delayed, you can get a free preview of the first 72 pages at:
http://www.businessmodelgeneration.com/downloads/businessmodelgeneration_preview.pdf.
This preview is not a substitute to getting the book! We will use later sections as well, so make sure you get the paperback edition! You're bound to use it throughout your careers.
2. **Articles & Cases** – supplementary readings will be posted on Moodle. Please refer to syllabus for when these readings are due. **PLEASE PRINT OUT AND BRING A COPY OF THE CASE ON THE DAY WE DO THE IN-CLASS CASE!**
3. **Canvanizer (Online Business Model Canvas)** – As a supplement to *Business Model Generation* we will use a free (and pretty darn neat!) online tool called the Canvanizer. It will help your team sharpen ideas, develop the various building blocks of your business activities, refine your strategy, and, lastly, nail down how the business creates sustainable value. Once selected, I will ask each team to sign up to the Canvanizer.

Grading & Assignments:

<i>Reading/Framework Comprehension Quizzes</i>	20%
<i>Mini-Business Model Plan Presentations</i>	15%
<i>Individual Case Assignments</i>	25%
<i>Class Participation (incl. peer review)</i>	15%
<i>Final Business Model Presentation (Oral & Written)</i>	25%

Each of the preceding components will be discussed in greater detail as the semester progresses.

Additional comments on Grading & Assignments:

- **PLEASE DO NOT USE YOUR NOTEBOOK COMPUTER DURING OUR SESSION.** This is a **critical thinking** class! If you need to take notes, rely on paper and pen. The use of notebooks is distracting to your fellow students and me.
- **Holster your cell phones**...if it's important, excuse yourself from class.
- For every day an assignment is late, the grade of the paper drops **FULL LETTER GRADE**, e.g. an "A" paper turned in a day late will become a "B" papers, etc.

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- NO E-MAILED PAPERS. I expect hard copies to be handed in on the day the paper is due. If you cannot attend class, have someone else hand it in for you.
- TRY NOT TO MISS THE READING QUIZZES – Make-up quizzes may be in essay form.
- NO EXTRA CREDIT. Do the work that is assigned.
- WEEKLY ATTENDANCE WILL BE TAKEN. If you miss MORE THAN 4 CLASSES, your final grade drops an entire grade.
- YOU WILL HAVE AN OPPORTUNITY TO EVALUATE YOUR TEAM MEMBERS.
- Disability Svcs for Students: http://life.umt.edu/dss/Faculty/Syllabus_Statements.php).
- RESPECT THE HONOR CODE. Cheating of any form will not be tolerated in this class. All work handed in is to be yours. All work handed in is to be yours. If you don't know what "cheating" means, please refer to the University Conduct Code at: http://www.umt.edu/vpsa/policies/student_conduct.php

The Business Model Project:

The BP affords you a unique opportunity to do an in-depth evaluation of a company from multiple perspectives (competitive, marketing, financial, etc.). In the first few weeks I will assign you into a group – this group will be your group for the remainder of the semester. I will subsequently assign you a company – this company will be your assigned company for the remainder of the semester. PLEASE RECOGNIZE THAT THE BUSINESS MODEL PROJECT IS YOUR PROJECT – THIS MEANS THAT YOU ARE DOING THE WORK! I will work alongside you, but the calories burnt on this are yours – just like in the real world. I will hand out detailed BP guidelines in a few weeks.

For those of you interested in competing in the John Ruffatto Business Startup Challenge, this course provides the foundational framework, the Business Model Canvas. The Business Startup Challenge is a unique opportunity to present your venture to angel investors, business owners, and other members of Montana's entrepreneurial elite who can help you realize your business. Also, you can compete for prize moneys (over \$50,000 this past year). If you're interested in the SoBA Business Plan competition, please see the eligibility requirements at <http://www.business.umt.edu/made/programs/biz.asp>.

Team Work:

The business model project will be team-based with groups assigned in the second week. Once assigned, I highly recommend you take into consideration individual strengths and weaknesses: qualitative vs. quantitative; marketing – financial/accounting – technology backgrounds, availabilities throughout the semester, etc. It is critically important that you and your team members learn to manage the various requirements and deadlines of the business plan.

I understand the potential difficulties in team-based projects: some people do more work than others, some teams have better dynamics than others, etc. I recognize that at times it can be challenging and even frustrating, but in my opinion team projects capture the real-world complexity of getting business done. If you find that some team members simply do not contribute, PLEASE APPROACH ME AS A GROUP. I will deal with your collective complaints accordingly. Also, you will have an opportunity to fill out peer evaluation forms at the end of the semester.

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INTRODUCTION & OPPORTUNITY IDENTIFICATION – (Week 1 & 2)

Week 1:

January 23: **INTRODUCTORY SESSION**

January 25: **What’s a Business Model? What is it not?**

Read: *Business Model Generation*, pp. 14 – 19 + p. 59 (3 core biz types)

Read: “*Why the Lean Start-up Changes Everything*” S. Blank

Read: “*What is a Business Model*” by A. Ovans

Week 2:

January 30: **Ideas, Sources and Types of Innovations**

Business Model Generation, pp. 226-231

Read: *12 Different Ways for Companies to Innovate*

Read: “*The Discipline of Innovation*” P. Drucker

Team Assignment

Feb.1: **Blue Ocean Strategy – The Door to the Value Proposition**

Read: *Blue Ocean Strategy: From Theory to Practice*, by Kim & Mauborgne

Read: “*Margin & Volume*”, J. Heuer

PLUGGING INTO DEMAND & DEFINING THE VALUE PROPOSITION – (Week 3 & 4)

Week 3:

Feb. 6: **Value Proposition & Customer Segments**

Read: *Business Model Generation*, pp. 20-25 + 127 – 133

Read: “*Know your customers’ ‘Jobs-to-be-Done’*” by C. Christensen et al.

Read: *Value Proposition Canvas*

Feb. 8: **Reading Quiz #1**

(Hand out Individual Assignment #1, due beginning of Week 6.)

Business Model Project Discussion + Company Assignment

Week 4:

Feb. 13: **CASE STUDY: ZAPPOS.COM: Bring the Shoe Store to Your Home**

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Feb. 15: **Market Sizing & Customer Relationships (CA&CR)**
Read: *Business Model Generation*, pp. 26-29
Read: *What is Your TAM, SAM and SOM?*
Read: “*Market Sizing Overview*”

SUPPORTING YOUR REVENUE (Week 5 & 6)

Week 5:

Feb. 21: **Revenue & Profit Patterns & Channels (LTV)**
Read: *Business Model Generation*, pp. 30-33 + pp. 56 – 108
Read: *The Power of Recurring Revenue*

Feb. 23: * *TEAM BMP Presentation #1* *

Week 6:

Feb. 27: **Hand in Assignment No. 1**
Career Development 1

March 1: **CASE STUDY: Trader Joe’s**

COSTS OF EXPLOITING THE OPPORTUNITY (Week 7 & 8)

Week 7: (Midpoint)

March 6: **Key Activities**
Read: *Business Model Generation*, pp. 36 – 39
Read: *Strategy Implementation: Getting Your Strategic Ducks in a Row*, Braun and Latham

March 8: **Key Resources & Key Partners & Strategic Ecosystems**
Read: *Business Model Generation*, pp. 34-35
Read: *Business ecosystems (chart)*
Read: *Comparison of Patents, Trademarks, etc.*

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Week 8:

March 13: Quiz #2
CASE STUDY: Krispy Kreme

March 15: *TEAM BMP Presentation #2*

SPRING BREAK:

March 20: No CLASS

March 22: No CLASS



NUMBERS THAT TELL THE STORY (Week 9 & 10)

Week 9:

March 27: **Cost Structures (in the Sports Apparel Business)**
Read: *Business Model Generation*, pp. 40-41; 138 - 139
Read: *Customer Value-based Pricing*
(Hand out Individual Assignment #2, due April 6)

March 29: **Business Model Financials (The Case of the Unidentified Industries)**
Read: *The Most Profitable Businesses to Start*
Read: *Estimating breakeven sales for your small business*, by C. Ehmke
Read: *The VRIO Framework: An Overview*

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FINANCING THE BUSINESS MODEL (Week 10 & 11):

Week 10:

April 3: *TEAM BMP Presentation #3*

April 5: ** Hand in Individual Assignment #2 *
Career Development 2*

Week 11:

April 10: *Reading Quiz #3*
Financing Start-Ups – Please listen to the following podcast!
“The Road to Pitching a Venture Capital Firm”, by KPCB
<http://www.kpcb.com/blog/the-roadmap-to-pitching-a-venture-capital-firm>
(also available on Apple Podcasts – under “Ventured”)

April 12: *CASE STUDY: Podere Riosto – A ‘Forchetta’ in the Road*

PITCHING YOUR OPPORTUNITY (Week 12 & 13)

Week 12:

April 17: *TEAM BMP Presentation #4*

April 19: *Speaker: TBA*

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Week 13:

April 24:

Shark Tank Day!

<http://www.npr.org/podcasts/510313/how-i-built-this>

Mark Cuban – *Serial Entrepreneur*



April 26:

In-Class Business Model Projects Support Session

Week 14:

May 1:

Business Model Project Presentations 1

May 3:

Business Model Project Presentations 2
Wrap-up!

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