



# Kellogg

School of Management

**Course Outline and Syllabus**

**For**

***SUCCESSFUL ENTREPRENEURSHIP***

**ENTR-463-0 Section 81  
Spring 2009 Class**

**Professor Lloyd E. Shefsky**

## ***GUEST SPEAKERS***

**In the past**, I have been able to prevail on my network to attract some high profile, attractive guests (see list below) whose perspectives expanded those of the class members. Some of these and other similar guests will attend this year.

**Howard Schultz** – CEO and Founder, Starbucks; Author, *Pour Your Heart Into It*.

**James Covert** – Former CEO, SecurityLink; Founder, Signature Security (8th largest IRR in V.C. history).

**Jim Sinegal** – Co-Founder, President, CEO & Director, Costco

**Jack Greenberg** – CEO, McDonald's Corporation.

**David Orek** – Founder & CEO, Oreck Corporation

**Pleasant Rowland** – Founder, American Girl (sold for \$750 million); former Vice-Chairman, Mattel Inc.

**George Fisher** – Former CEO, Kodak (guided company into digital & China) and Motorola (guided company into cell phone dominance).

**John Osher** – Founder, Dr. John's Spinbrush (sold to Proctor and Gamble, now "Crest Spinbrush", Cap Toys (sold to Hasbro Toys); Founder, Con-Serv Inc. (Sold to Gerber Foods); Founder, Saybrook Industries ("Dish Doctor Power Scrubber").

**Berneer Strom** – Founding CEO, PriceLine.com; Founder, Gemstar (created VCR+); Founder, MBS Tech (File Runner program); Chairman, Ensequences; CEO, Walker Digital; President, Info Space Ventures; CEO, Strom Group; Director, Hughes Electronics, Polaroid, Krug Intl, DDL Electronics, Software Publishing Co., etc.

**Maria Pinto** – Founder, Maria Pinto Collection, clothing and accessory designer. Dress designer for First Lady Michelle Obama. Formerly founder of Lola Black, LLC.

**Gil Mandelzis** – Co-founder of Traiana in April 2000 and continues as Chief Executive Officer following the acquisition of the company by ICAP in October 2007. Co. provides a complete cross-asset solution for automating the post-trade, pre-booking trade flows associated with Prime Brokerage.

**Isaac Bentwich** – Founder and Chief Architect of Rosetta Genomics (NASDAQ:ROSG) - microRNA technology development. Rosetta has discovered and has rights to the majority of human and viral microRNA genes known to date, and is a world leader in the commercialization of diagnostic and therapeutic products based on these genes.

**Jack Miller** – Founder and former President/CEO of Quill Corporation (and engineered its sale to Staples). Author of "Simply Success."

**Mike Gilliland** – Co-Founder and former CEO of Wild Oats Markets (acquired by Whole Foods); Founder of Sunflower Farmers Markets.

**Ralph Mandell** – Chairman and CEO of PrivateBancorp and The PrivateBank since its inception and had assumed the additional title of President of both entities in March, 1999. He led PrivateBancorp's growth from a startup to a co. with over \$5 billion in assets and 22 offices in 10 states.

**Allen Andersson** – Founder, Light Speed International (sold to Cisco for 9 million shares); Founder, Logos Tech Lab; Founder, Expert Image Systems.

**Stan Kasten** – CEO, Atlanta Braves, Atlanta Hawks and Atlanta Thrashers; Chairman, Phillips Arena & Turner Field; Founder of the Washington Nationals (new Major League Baseball team).

**Maxine Clark** – Founder & CEO, Build-A-Bear.

**Jaye Hersh** – Founder & CEO, Intuition; Founder, Baby Boxers.

**Michael Collins** – Founder & CEO, Big Ideas Group (introducing inventors & idea-buying companies; Founder, Kid Galaxy).

**Ginger Graham** – CEO, Amlyn Pharmaceuticals; Advisor to President, Guidant Corp.; Director, Millenium

**Patrick Kelly** – Founder, PSS/World Medical; Author, *Faster Company: Building the World's Nuttiest, Turn-on-a-Dime, Home Grown, Billion-Dollar Business*.

**Ed Beauvais** – Founder, America West Airlines (forced into Chapter XI under his watch; later survived) and Western Pacific Airlines (bankrupt under his watch; out of business).

**Eli Barkat** – CEO and Founder, BackWeb Technologies Ltd.; Founder, BPM (developed and financed Checkpoint Systems Inc.).

**Doug Becker** – Founder and CEO, Sylvan Learning Centers, Inc.

**Coach Gary Barnett** - Former coach, NU Football Team (Rose Bowl Appearance and Sky Box development); current coach CU Football Team.

**Jack Graham** – Founder & CEO, International Catastrophe Insurance Managers (sold to Paul Allen).

**Jeff Aronin** – Founder & CEO, Ovation Pharmaceuticals.

**Dan J. Carroll** – Former CEO, Hoover Universal, COO, Gould Inc. and President, Management Consulting Division of Booz, Allen and Hamilton, Inc.; On Boards of institutional, and entrepreneurial companies, including Holmes Protection Group, Woodhead Ind., A. M. Castle, AON Inc., Diebold, Wolverine Comshare, American Woodmark, Oshkosh Truck, Recombinant Bio Catalysis, PCubed, etc.

**Theodore Pincus** – Founder and former CEO, Financial Planning Board (top PR firm to hundreds of entrepreneurs and their companies); selected by *PR Week* as one of the 100 most influential PR industry leaders of the 20th Century.

**David Kronfeld** – Founder and CEO, JK&B Capital (highly successful Chicago Venture Capital firm.)

**Rebecca Smith** – Founder and CEO, A.D. Morgan (Construction Company).

**Gila Bronner** – Founder and CEO, The Bronner Group (consultant to governmental agencies).

**Scott Chaikin** – Founder & CEO, Closets Plus & Shutters Unlimited (sold to Masco).

**Olaf Isaacsen** – Consultant, Managerial Behavior. Clients include: Silicon Valley Bank, Bechtel, The Kaiser Companies, Weyerhaeuser, Olin-American, Hewlett-Packard, Korn/Ferry Intl., Wells Fargo Bank, and U.S. and Australian Departments of Defense.

**Kevin Salwen** - Founder & Editor, Worthwhile Magazine

### ***GOAL OF COURSE***

Entrepreneurs are the true base of our extraordinary economy and society and their importance in other countries' economies is growing as well. While well-educated and trained managers often make important, periodic improvement in and efficient implementation of existing business models, the quantum leaps to huge value creations and the rewards that accompany such leaps generally fall to entrepreneurs not to mere managers.

Not all entrepreneurs succeed, although the failure rate is often exaggerated. Many failures result from the founder's lack of basic management skills. Since that cannot be the failing of Kellogg alumni and since something short of 100% of all Kellogg alums' entrepreneurial ventures succeed, it is clear that more than mere management skills are needed. In addition, it is clear that, in general, entrepreneurial businesses (a) build value faster, (b) create far more jobs, and (c) afford leadership opportunities to a broader segment of society than do more established, managed businesses.

The course goal is to help participants, whose education as managers is *par excellence*, to understand how such managerial talents must be applied differently and what additional talents are required for successful entrepreneurial businesses. In other words, the goal is to teach Kellogg students how to be successful entrepreneurs. The lessons are also useful to those who deal with, represent, finance and work for entrepreneurial leaders, with whom such others must deal differently than they would with managers. For examples, see “comparisons” below.

### ***BACKGROUND & COURSE DESCRIPTION***

While entrepreneurial companies account for most new employment opportunities, there is little written about the peculiar traits of entrepreneurs, and much of what has been written is autobiographical with shades of selective recall. The recent speed of change in our society may account for some of that lack of texts and other good reading on this subject (i.e., an inability to compare today’s entrepreneurs with yesterday’s before tomorrow’s makes those seem irrelevant). However, by comparing entrepreneurs with concurrent managers, the essence of and the changes in the former become more apparent, comprehensible and adaptable.

I have represented worked with, interviewed and studied thousands of entrepreneurs and believe I have a special appreciation of their essence. I do not, however, pretend to be able to convert everyone into a successful entrepreneur and especially not in one course. If it were that easy, there would be no need for bankruptcy lawyers. I am convinced, however, that (i) there are lessons that help entrepreneurs be better at what they do; (ii) the skill set is in addition to that acquired in the basic business school curriculum; (iii) dealing with entrepreneurs can be facilitated by a better understanding of what those leaders are really like and why they are that way; and (iv) you can learn to apply their examples to achieve your own success.

### ***COMPARISONS***

Perhaps it would be helpful to provide examples of comparisons of entrepreneurs and managers, which lead to a better understanding of entrepreneurs;

- I. Entrepreneurs use different techniques than managers to obtain financing, attract, retain and motivate employees, deal with customers and suppliers, use consultants, advisors and directors, and even communicate.
- II. Given MBA students’ intensive focus on job interviews, it is clear that they believe that compensation is an effective motivator. However, the forms and/or amounts of compensation that motivate entrepreneurs are quite unlike those that motivate managers.
- III. Managers are intent on maintaining a clean record (no failures), often foregoing opportunities for success to avoid a blemish on their resumes. Entrepreneurs, on the other hand, have no fear of failure and often wear failure as a badge of experience. This difference affects virtually every aspect of their work-life, as well as those of others involved with their business.
- IV. Managers and Entrepreneurs have many common characteristics, which each group often uses differently, as well as many distinguishing characteristics. It is important to understand these similarities and differences.

It’s not that either is right or wrong. The differences merely reflect what’s appropriate for the different stages of each business.

In recent years, a growing number of MBA students considered the job interviewing process (and, in extreme cases, even class work) a waste of time that could have been better spent polishing their business plans and elevator presentations. This course will provide lessons that will help those who choose to succeed as entrepreneurs (now, immediately after graduation, or later) where others might fail, and will teach those merely considering it, as well as those who support, represent, finance, work for or compete with those movers. The course will provide valuable lessons and skill sets that help in building successful entrepreneurial businesses.

The NASDAQ adjustment of 2000 may have dissuaded some from founding their own businesses right out of the gate. Recent economic events, the greatest meltdown since the Great Depression, are expected by many to have a similar effect. Actually, this may be the “Perfect Entrepreneurship Storm” - - an increased number of unemployed people with terrible prospects for employment, who may see entrepreneurship as their only viable alternative; a more sophisticated IT industry, with its intrusiveness into every other industry, that enables entrepreneurs to start their businesses if they have a computer and a phone (i.e. without any requirement for substantial capital investment); and a lack of confidence in public market may expand interest in being angel investors in privately held start-ups.

Ethical entrepreneurship had been part of this course for nearly a decade before the public became aware of inappropriate behavior at Enron, Andersen, Merrill Lynch, etc. Not only is “ethical entrepreneurship” not the oxymoron that many people believe, the entrepreneur’s ethical behavior is actually a prerequisite to success. Despite recent examples to the contrary, obeying laws applicable to business is not hard to do. Of course, talented lawyers can help guide your behavior but often they squelch entrepreneurial drive. The measure of right & wrong may be the same for entrepreneurs & managers, but the nature of the challenges and of the available alternative actions are often quite different. Understanding how ethical rules are different (and are applied differently by entrepreneurs and managers) is critical and can enable you to conduct yourself ethically while aggressively pursuing your entrepreneurial dream. That alone can make the difference between success and failure.

The impact of occurrences surrounding Enron, Tyco, Arthur Anderson, & Co., updated to include more recent events such as the home mortgage industry, AIG, the key rating agencies, Bernie Madoff, etc., will also be explored, to teach you how to spot warning signs, how to obey those signs without sacrificing entrepreneurial spirit, and how to convert temptation to advantages.

### ***WHO SHOULD TAKE THE COURSE***

Anyone who thinks he/she may (now, soon, later, or whenever):

- Become an entrepreneur;
- Work for an entrepreneur;
- Finance an entrepreneur;
- Supply an entrepreneur;
- Consult to an entrepreneur;
- Serve as a Director of an entrepreneur’s company;
- Joint Venture or Align with an entrepreneur;
- Form or foster a new venture within a large, established organization (i.e. intrapreneurship); or
- Manage (as CEO) an intrapreneurial venture.

## ***WHO CAN AUDIT THE COURSE***

- 1<sup>st</sup> Non-Kellogg NU Grad Students
- 2<sup>nd</sup> Spouses of Full/Part Time Kellogg MBA Students Registered for Class (JV Auditors)
- 3<sup>rd</sup> Spouses of Full/Part Time Kellogg MBA Students NOT Registered for Class (JV Auditors)
- 4<sup>th</sup> Other Types of Auditors (Selected as appropriate to broaden class perspective)

The following are not allowed to audit the course, because to do so would partially frustrate the integrity of the bidding system:

- Full Time Kellogg MBA Students
- Part Time Kellogg MBA Students

## ***COURSE ELEMENTS***

- Lap-tops, PDAs, cell phones and other communication devices, including but not limited to carrier pigeons, will not be permitted during class.

## **Class Readings**

There is no textbook for this course. Instead, I have selected materials that I believe are more relevant to successful entrepreneurs and this course. Reading assignments from the syllabus are available on the course electronic Blackboard system.

I have purposely kept the reading assignments relatively light, so that the student will have ample time: (i) to think about how they might apply the lessons to their current or future businesses (I expect students to commit serious time, thought and homework to developing skills, e.g., spotting opportunities, determining extent and nature of competition, understanding market potential and devising approaches to secure resources); and (ii) to do serious investigation and research into each guest speaker (this is done (a) to improve the quality of Q&A sessions and (b) to hone your skills to be used before meetings you will have, some day, with financiers & others important to your venture). If done properly, the time commitment should equal or exceed customary reading and project assignments.

One exception to those reduced reading assignments are the preparations for the first two classes, where the readings include several pieces related to the nature of entrepreneurship and entrepreneurs (a foundation of the course). That includes my book *Entrepreneurs Are Made Not Born*. Lest anyone question my ethics or purpose, I have arranged, **at my own expense**, for hardcover copies to be available to my students **FREE** (list price \$21.95). As soon as you have registered for this course, see my assistant, Dana Levit-Geraci, in Room 5228 to obtain your free copy. Additional items may be distributed and/or added to the syllabus from time to time (including before the start of the spring quarter). Participants will also be expected to do independent research/reading on Guests (see below).

Another exception is the assignment to watch the movie "Tucker: The Man and his Dream" (released in 1988 with a run time of 111 minutes, directed by Francis Ford Coppola and produced by George Lucas, with lead actors Jeff Bridges, Martin Landau, Frederic Forrest, and Joan Allen). It is the story of Preston Tucker, the man who revolutionized car design in the late 1940s, only to have his innovation squelched by the "big three" automakers in a battle between Tucker and powerful political lobbies. There are many lessons to be learned from this movie - - lessons that can help you become successful entrepreneurs.

We will be discussing this movie in class, sometime before class VII, so I encourage you to watch it. You can borrow it at the NU Main Library, where 2 copies of the DVD have been placed on reserve or you can obtain it from Amazon.com for \$12.99 or NetFlix (unfortunately Blockbuster no longer keeps it in stock).

### **Class Discussions**

The Course Outline, in combination with the assigned readings, is meant to prepare and guide participants for active/proactive, healthy/aggressive class discussions. Often there is no right or wrong position, but solid and creative thought, together with articulate, expressive and passionate presentations and discourses, are prerequisites to a good grade, much as it is to successful entrepreneurship.

While class readings and discussion topics are separated by sessions, the use of class time for guest presentations and discussions inevitably results in subject matters in this syllabus being continued or completed in the succeeding session(s). That is one of the reasons for only 9 Sessions being listed in this outline. There will be 10 sessions, but the 10<sup>th</sup> session will consist of (a) some catch-up; (b) an overview, bringing together the material and subjects covered in the first nine sessions; and (c) open Q & A.

### **Written Assignments**

Each participant will participate in two written assignments. The earlier assignment will be due before the fifth class; it will be distributed by the third class. The final assignment will be issued before the last class and will be due a couple of days after that class.

### **Guest Speakers**

In this day & age, no one should go into a meeting with a stranger without checking them on Google &/or similar sites. Class members are expected to prepare for guests' appearances by reading all assigned material and by doing appropriate independent, extensive research before class. The research should not be casual. The students should try to put themselves in the shoes of the guests at the time they were starting their businesses. Successful entrepreneurs often have selective recall years later, and the students are expected to pierce such recall and to ask well thought out and well prepared, intelligent, perceptive, probing, challenging and politely-aggressive questions on subjects that are material and relevant to each guest's entrepreneurship experience and to the class outline.

Such questions should be asked voluntarily; failing that, class members will be called upon to ask questions.

So that guest speakers will feel sufficiently comfortable to be open and candid, thus maximizing the benefit to the entire class, they are informed that their words will be treated as confidential. Therefore, it is a **prerequisite to selecting this course** that each class member agree to treat the guests' words as CONFIDENTIAL. FAILURE to do so will be deemed a VIOLATION of the KELLOGG HONOR CODE.

## **Grades**

In addition to the above participants' obligations and responsibilities, there are two others. Participants must make their course performance both (i) high quality contributions to the learning process, and (ii) known and memorable to me (for example, each participant shall occupy the same seat at every session; nameplate cards should be used at every session of the course; and other tasteful tools to spur recollection of participants' identities and accomplishments in class are encouraged). Questions and answers should reflect qualitative thought and reading of material, rather than mere attempts to rack up "air time." (Nothing here or elsewhere is intended to discourage sincere questions, in or out of class, where the material, lecture discussions, etc. are unclear or simply not understood.)

Grades will be based on all Course Elements and will be allocated approximately<sup>1</sup> as follows:

Class Discussion, including  
questions for guest speakers 25%

Written Assignments:

Interim 15%  
Final 60%

If participants must be absent, they should send an email to Professor Shefsky with a cc: to Dana Levit-Geraci. Frequent tardiness or absences, which deprive the class of important participation, will be noted.

## **Availability**

Participants can arrange appointments to meet with me through my assistant, Dana Levit-Geraci, (847-467-7855) d-levit@kellogg.northwestern.edu. I am generally available on Mondays but can be available at other times (and even at my downtown Chicago office) if necessary for individual meetings with my students, and to discuss the class, assignments, participant progress, entrepreneurship, entrepreneurial leadership, etc., as well as issues or matters relating to my students' existing or planned entrepreneurial ventures.

## **Help With Your Business**

Over the past several years, a number of my students have accepted my offer to talk with and help them with their entrepreneurial ventures during the quarter. Some of these have resulted in valuable introductions leading to investment, customers, joint ventures, purchases of the business, etc., in addition to advice regarding structures, appropriate models and strategies. Again this Spring Quarter I will be available to help my students in that same way, and I encourage you to take advantage of this free personal advice. All I seek in return is your commitment that should you ever "make it" financially, you will remember the Kellogg School in some meaningful, tangible way.

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<sup>1</sup> In grading, as in entrepreneurship, there must be an appreciation of and tolerance for ambiguity and a high degree of trust.

**Class Schedule** (All classes begin promptly and meet from 6:30 pm to 9:30 pm)

- Class #01 - Monday, March 30, 2009
- Class #02 - Monday, April 06, 2008
- Class #03 - Monday, April 13, 2009
- Class #04 - Monday, April 20, 2009
- Class #05 - Monday, April 27, 2009
- Class #06 - Monday, May 04, 2009
- Class #07 - Monday, May 11, 2009
- Class #08 - Monday, May 18, 2009
- Class #09 - Friday, May 29, 2009 (*Make-up day for Memorial Day*)
- Class #10 - Monday, June 1, 2009

<b>Topic I</b> <i>Nature of Entrepreneurs &amp; How They Get Started</i>
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**A. Outline**

1. What is entrepreneurship?
2. How do Successful Entrepreneurs get an Entrepreneurial idea?
3. How do Successful Entrepreneurs convert their ideas into an Entrepreneurial Dream?
4. How do Successful Entrepreneurs validate their Entrepreneurial Dreams?
5. What is “Creative Destruction,” Joseph Schumpeter?
6. How do Successful Entrepreneurs convert their Dreams into successful businesses?
7. How do entrepreneurs develop business models?
8. What barriers may prevent you from being a Successful Entrepreneur?
9. Should you be stubborn to be a Successful Entrepreneur?
10. Should you have unbridled optimism to be a Successful Entrepreneur and how do you get it?
11. What is the impact of an entrepreneur’s Risk Willingness on his/her followers (Fear of Failure)?
12. What is the nature of an entrepreneur’s devotion and time commitment and what are their impact on his/her followers?
13. Are all founders of businesses entrepreneurs?
14. Can a Non-Founder be an entrepreneur?
  - Are Successful Entrepreneurs con artists?
  - Who do they con (others? self)?
15. How do Successful Entrepreneurs' functions differ from managers' as to starting and building their businesses?
16. Given recent economic events, in this a good or bad time to become an entrepreneur?

**B. Syllabus**

Read<sup>1</sup>:

- Shefsky, Lloyd E. *Entrepreneurs Are Made Not Born*. McGraw Hill Co. May 1996. (See “Class Elements, Class Readings” above.)

Read the following (available on the Blackboard System):

- Kamien, Morton I. "Entrepreneurship: What Is It?" *Business Week Executive Briefing Service*. 1994. Vol. VII, pp.1-24.
- Schumpeter, Joseph A. “The Process of Creative Destruction, Can Capitalism Survive?” *Capitalism, Socialism, and Democracy*. New York: Harper, 1975. Chapter 7, pp.81-86.
- Maccoby, Michael. “Narcissistic Leaders: The Incredible Pros, the Inevitable Cons.” *Harvard Business Review*. Jan-Feb 2000. pp. 68-77.

- Lovallo, Dan & Kahneman, Daniel. “Delusions of Success: How Optimism Undermines Executives’ Decisions.” *Harvard Business Review*. Jul. 2003. pp. 56-63.
- Jobs, Steve. “Stay Hungry. Stay Foolish.” *Fortune*. Sept. 5, 2005. pp. 31-32.
- Karlgaard, Rich. “It’s the Entrepreneurs, Stupid.” *Forbes*. Jul. 4, 2005. Vol. 176, Issue 1, p. 39.
- Stewart, Janet Kidd. “Entrepreneurs Long On Passion, Not Patience.” *Chicago Tribune*. Aug. 14, 2005. Section 5, p. 6.
- LaFay, Howard. “A Father’s Last-Chance Invention Saves His Son.” *Reader’s Digest*. Jan. 1957, p. 29-32.
- Slobin, Sarah. “On the Flipside.” *Fortune*, Aug. 6, 2007, Vol. 156, Issue 3, p. 66.
- Goldstein, Buck. “Behind Every Great Entrepreneur-7 Ps.” *Unknown Source*, p. 1.
- Anthony, Scott D., et al. “Disruption, One Step at a Time” *Forbes*, Oct. 27, 2008, Vol. 182, Issue 8, p97-102.
- Beck, Melinda. “If at first you don’t succeed, you’re in an excellent company” *Wall Street Journal*, Apr. 29, 2008, Vol. 251, Issue 100, pD1.
- Engardino, Pete. “Mom-&-Pop Multinationals” *Businessweek*, July 17, 2008, Issue 4092, p. 77-78.
- Karlgaard, Rich. “Back to the 1970s.” *Forbes*, Nov. 10, 2008, Vol. 182 Issue 9, p. 33-34.
- Gilder, George. “The Coming Creativity Boom” *Forbes*, Nov. 12, 2008, Vol. 182, Issue 9, p. 36-38.
- “History of Pyrex” Pyrex website, <http://www.pyrexware.com/>, Oct. 31, 2008.
- Kamien, Morton I. "Entrepreneurship by the Books." *Journal of Economic Education*, Summer 2008, pp. 245-250.
- Shirousu, Norihiko . “Technology Levels Playing Field in Race to Market Electric Car” *Wall Street Journal*, Jan. 12, 2009.

**ADVANCE READING FOR NEXT WEEK’S GUEST SPEAKER: Hank Adams (Sportsvision)**

- O’Brien, Jeffrey. “Sports + Tech = \$\$\$.” *Fortune*, Oct. 15, 2008.

<sup>1</sup> This reading will impact much of the coursework. It can and should be read by the second class, although doing so by the first class will prove helpful.

<b>Topic II</b> <i>Exit Strategies: Transition, Succession, Oblivion</i>
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**A. Outline**

1. How do Successful Entrepreneurs deal with their exits:
  - As Executives?
  - As Directors (Chairs)?
  - As Shareholders?
2. What are the difficulties affecting a Successful Entrepreneur's decisions regarding:
  - Transactional Disposition of Business?
  - Passing the Baton to a Successor?
3. And, as to each, how and why are the difficulties best handled to maximize benefits:
  - To the Company?
  - To the Entrepreneur?
4. When should the preparation for these processes begin?
  - Who should be involved?
  - How should one accomplish these tasks?
  - Consider: The Signature Security Case Study
5. How are exit decisions affected by recent economic events?

## B. Syllabus

Read the following (available on the Blackboard System):

- Socha, Miles; Wisman, Katherine; Fallon, James & Conti, Samantha. “Art vs. Commerce: Is The Bottom Line What Drives The Line?” *Women’s Wear Daily*. Feb. 10, 2000. pp. 9-11.
- Mullins, John W. “Take the Money – or Run?” *Harvard Business Review*. Article #R0411A, Nov. 2004. pp. 35-40.
- Helm, Burt and McGregor, Jenna. “Howard Schultz’s Grande Challenge.” *Businessweek*. Jan. 21, 2008, p. 28.
- Helman, Christopher. “The Second Coming.” *Forbes*, Dec. 10, 2007, Vol. 180, Issue 12, p. 78-86.
- “Story – Exit Strategy.” *Unknown Source*, p. 1.
- “When Selling Their Business, Women Owners More Likely Than Men to Care What Happens After Sale.” *Center for Women’s Business Research and MassMutual Financial Group*, May 3, 2006, p. 2.
- Schlender, Brent. “Gates Without Microsoft.” *Fortune*, June 26, 2008.
- Kirkpatrick, David.. “Microsoft Without Gates.” *Fortune*, June 26, 2008.
- Greene, Jay. “Microsoft’s Gates: Bye, See You Next Week.” *Businessweek*, June 26, 2008.
- Yang, Jia Lynn. “The Three Minute Manager.” *Fortune*, Oct 13, 2008, Vol. 158, Issue 7; pg. 30.
- Palmeri, Christopher. “FedEx Whites-Out the Kinko’s Name.” *Businessweek*, Retailing, Dec. 18, 2008.
- Wasserman, Noam. “Founder’s Dilemma.” *Harvard Business Review*, Feb. 2008.

<b>Topic III</b> <i>Boards</i>
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## A. Outline

1. When do most Entrepreneurs establish a Board of Directors for their company?
2. When should Successful Entrepreneurs establish a Board of Directors for their company?  
What prompts doing so?  
How should a Successful Entrepreneur establish it? promote it?
3. Who do most Entrepreneurs select as Directors?  
Are there better choices?
4. Who should Successful Entrepreneurs select as Directors?
5. What is it that makes one a good candidate for boards of entrepreneurial companies?
6. How do Successful Boards tie Entrepreneurs' (and, when necessary, other employees') interests to the company's interests?
7. How do most Entrepreneurs compensate Directors?
8. What should Successful Entrepreneurs expect and seek from their companies Boards?
9. How do Successful Entrepreneurs make that happen?
10. How should Successful Entrepreneurs compensate Directors?
11. What are pitfalls? risks? penalties/losses?
12. How do Boards' relationships with Successful Entrepreneurs differ from Boards' relationships with non-entrepreneur CEO's (e.g., Sarbanes Oxley)?
13. When and how are Successful Entrepreneurs likely to get hurt by their companies Boards?
14. How can such problems be prevented and cured?
15. What are the actual and likely implications to Successful Entrepreneurs of laws (e.g., Sarbanes Oxley)?

16. What are the Successful Entrepreneur's obligations to shareholders (public and private) and how should they be fulfilled?
17. How can a Board help an entrepreneur prepare for, and survive through, bad times?

## B. Syllabus

Read the following (available on the Blackboard System):

- Fraser, Jill Andresky. "Building the Board." *Inc. Magazine*. Nov. 1999. pp. 131-133.
- Balachandran, Bala. "Be A Better Human Being, A Better Manager." *Kellogg Spotlight*. Dec, 24, 1988. p. 1.
- Finn, Laura J. "Companies That Pay Their Directors \$1 Million A Year." *Corporate Board Member Magazine*, Jan./Feb. 2008, pp. 14-15.
- Doebele, Justin. "Poison in Paradise." *Forbes*. Apr. 3, 2000. pp. 108-110.

## Topic IV      *Incentives and Motivators (Compensation & Others)*

### A. Outline

Incentives and Motivators (Compensation, etc.)

1. How do Successful Entrepreneurs attract and retain employees?
  - a. Personal Leadership Qualities
  - b. Teams
  - c. Business plans and models
  - d. Compensation (salaries, bonuses, stock and options, perks, severance packages, etc.)
  - e. I would follow him anywhere – v. – I picked the right horse
  - f. Piece of Rock (unlike Prudential)
  - g. Sharing the wealth and the Ownership of the Dream
  - h. Consider Comdisco executives (as proxies for suppliers of goods or services paid at least partially with equity opportunities).
  - i. Reviews and compliments
2. What compensation/motivation packages do Successful Entrepreneurs seek for themselves and when? How do such packages relate to motivating entrepreneurs?
3. Who determines Successful Entrepreneurs' compensation?
4. How does compensation of Successful Entrepreneurs differ from compensation of Successful Non-Entrepreneur Executives?
5. What kinds of people do Successful Entrepreneurs hire?
6. How will recent economic events affect use of options?
7. Should you or should you not (and possibly when and how) reprice or adjust options?

### B. Syllabus

Read the following (available on the Blackboard System):

- Strauss, Robert S. "How to Divide the Stock Pile: The Ways and Means of Structuring Options Plans." *Red Herring*. Dec. 19, 2000. pp. 102-106.
- Jones, Sandra. "Comdisco: It's Make or Break Up." *Crain's Chicago Business*. Jan. 15, 2001. pp. 1-2.
- Jones, Sandra. "Comdisco Clean-Up Chief Gets Mussed as Enron Mud Flies." *Crain's Chicago Business*. Jan. 21, 2002. pp. 1-2.
- Jones, Sandra. "The Crash of Comdisco." *Crain's Chicago Business*. Jan. 5, 2002. pp. 1-9.
- Gordon, Joanne. "Greek Tragedy: Nicholas Pontikes Oversaw the Swift Demise of His Dad's 30-Year-Old Computer Leasing Firm." *Forbes*. Jun. 11, 2001. pp. 1-2.

- Johnson, Julie. “Comdisco Execs Fight Settlement.” *Crain’s Chicago Business*. Dec. 6, 2004. pp. 1-2.
- “Are Large CEO Severance Packages Justified?” *Kellogg Insight (Focus on Research)*, Sept. 2007, based on the research of Thomas Lys, Tjomme O. Rusticus and Ewa Sletten.
- Dvorak , Phred and Lublin, Joann S. “Firms Rethink Compensation Plans.” *Wall Street Journal*, Jan. 20, 2009.

Also read:

- Kuemmerle, Walter. “Signature Security: Providing Alarm Systems for the Countries Down Under.” Harvard Business School. Case N9-800-254, Sept. 24, 2001. pp. 1-24  
in connection with Jim Covert’s visit.

<b>Topic V</b> <i>Not-for-Profits</i>
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### A. Outline

1. General
  - a. What are not-for-profits?
  - b. How does one entrepreneur a not-for-profit?
2. Charitable
  - a. The Legitimate “Business” Purpose
  - b. The Organization
  - c. Structure & Filings
  - d. Focused Preparation and Goals
    - i. Measuring & Articulating Need, Achievability
  - e. Credibility
    - i. How to Obtain & Retain
  - f. People
  - g. Boards of Directors/Trustees
    - i. Executive Committees
  - h. Volunteers & Honorary Officers
  - i. Staff
  - j. Compensation & Other Motivations
    - i. Promoter
    - ii. Opportunities
    - iii. Limitations
      - [A] Effect on Volunteers
      - [B] Effect on Contributor
      - [C] Legal & Ethical
  - k. Others
3. Quasi Business
  - a. Examples
  - b. The Organization structure & filings
    - i. Structures and filings
  - c. Focused Purposes and Goals
    - i. Reasons for Using Not-For-Profit Structure
    - ii. Inherent Sacrifices & Restrictions
4. Promoter’s Duration
5. Getting it done.
  - a. How does entrepreneuring or not-for-profit differ from entrepreneuring a for-profit?

- b. What skill sets are needed?
- 6. The Madoff effect

**B. Syllabus**

Read the following (available on the Blackboard System)

- Langreth, Robert. “For Ayra.” *Forbes*. Mar. 28, 2005. Vol. 175, Issue 6, pp. 94-98.
- Coolidge, Carrie. “Biting a Helping Hand.” *Forbes*, Oct. 3, 2005, p. 82.
- Westerbeke, William E. “An Illinois Not-For-Profit Directors’ Compliance Checklist.” *Ill. Bar Journal*, Vol. 94, September 2006, pp. 484-488.
- Barret, Victoria Murphy. "Doing Well, Doing Good." *Forbes*, Issue: 179.9, April 23, 2007, p. 56.
- Easton, Nina. “CEO in Chief” *Fortune*, Nov. 24, 2008, Vol. 158, Issue 9, p58-64.
- Susan Kitchens. “Health or Wealth?” *Forbes*, Dec. 8, 2008, Vol. 182 Issue 12, p34.

**Topic VI      *The Right Thing—Ethics for Entrepreneurs***

**A. Outline**

1. Why deal with ethical questions in this course? In business school? At Kellogg? (And what do we hope to achieve?)
2. What ethics rules or standards are (or should be) applied differently to Successful Entrepreneurs?

Consider:

- Sales of shares: per se? timing?
- Accounting: presentation? process?
- Layoffs
- Prejudice/Discrimination

3. To whom do Successful Entrepreneurs owe obligation ethically:

- |                     |                                       |
|---------------------|---------------------------------------|
| Board of Directors? | Community?                            |
| Shareholders?       | Customers?                            |
| Bankers?            | Suppliers?                            |
| Employees?          | Professionals (Accountants, Lawyers)? |

4. Have recent lapses in business ethics been experienced more so or as much in entrepreneurial businesses as in others? Why?
5. Crimes and Punishments:  
"What the Hell were they thinking?"
6. The Successful Entrepreneurs' ethics of prejudice, greed, and other vices.
7. Is it ever right to discriminate against people for their own good (and do entrepreneurs differ from managers on whether or how to do so)?
8. Can ethical obligations require or inspire unethical behavior?
9. Is it ethical to feed others' greed?

**B. Syllabus**

Read the following (available on the Blackboard System):

- Useem, Jerry. “The Art of Lying: Can It Be A Good Thing?” *Fortune*. Dec. 20, 1999. pp. 278[A]-[D] and 278[F]-[G].
- Humphreys, John. "The Best of Intentions." *Harvard Business Review*. Jul. 2002. pp 31-34, 36, 37, 40 and 42.

- Holmes, Stanley and Zellner, Wendy. “The Costco Way; Higher Wages Mean Higher Profits. But Try Telling Wall Street.” *Businessweek*. Apr. 12, 2004. Issue 3878, pp. 76-77.
- Gladwell, Malcolm. *Blink: The Power of Thinking Without Thinking*. 2005. pp. 110-117.
- Vardi, Nathan. “A Plague on All Their Houses.” *Forbes*, Dec. 8, 2008, Vol. 182 Issue 12, p50.
- Hotz, Robert Lee. “Scientists Draw Link Between Morality And Brain's Wiring.” *The Wall Street Journal*, May 11, 2007, p. B.1.
- Hamm, Steve. “Capitalism With a Human Face; Social Entrepreneurs Tackle the World’s Problems in the Face of a Global Downturn.” *Businessweek*, Dec. 8, 2008, Volume 48, Issue 4111.
- Flandez, Raymund. “Small Businesses Cut Costs by Renegotiation.” *The Wall Street Journal*, Jan. 20, 2009.

**ADVANCE READING FOR NEXT WEEK’S GUEST SPEAKER: Jim Sinegal (Costco)**

- Byrnes, Nanette. “Costco Starts a Barroom Brawl.” *Businessweek*, Dec. 31, 200, Issue 4065, p. 88.
- Jena McGregor. “Costco’s Artful Discounts.” *Businessweek*, Oct 20, 2008. Issue .4065; pg. 58.
- **Compare:**
  - Lavengood, Lawrence G. “Doing Good While Doing Well In the Social Environment of Business.” *Kellogg World*. Winter 2003. p. 25.
  - Stossel, John. “In Defense of Greed.” *Forbes*. Feb. 2, 2004. Vol. 172, Issue 15, p. 36.

<b>Topic VII    <i>Being Resourceful, Financing Techniques</i></b>
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**A. Outline**

1. Financing
  - a. Initial Financing
    - i. Types of Financing
      - a. Self (Equity & Borrowed)
      - b. Family & Friends
      - c. Vendors & Customers
      - d. Angels (various halo sizes?)
    - ii. Venture Capital, Venture Leasing.
      - a. Whether, When or How to Structure, Anticipate, Estimate, Present, Develop, Negotiate and Close, including Style, Timing, Traps, Opportunities, etc.
      - b. Request coaching & guidance -- How, Why, When?
  - b. Subsequent Financing
    - i. Primary
      - a. Sources
        - i) Same
        - ii) Other
        - iii) IPOs
      - ii. Secondary
        - a. Whether
        - b. Why
        - c. When
        - c. How
  2. Is OPM a licence or an obligation?
    - a. What are the Successful Entrepreneur's obligations to investors?
    - b. Consider IdeaLab and Bill Gross (see reading assignment).
    - c. Consider Tucker.
  3. Control
    - a. 51% and other Myths about Stock Ownership, Control & Survival
    - b. Use of Financial Statements, Pro Formas and Projections
      - i. There will be a brief discussion about Business Plans and other presentation tools, focusing on goals; demonstrating perceptive modeling vs. revealing confusion,

indecisiveness, inflexibility and wrong decisions; sizing up an audience; adaptability; style; etc. However this course does not deal with the structure and preparation of business plans such as is covered in "Entrepreneurship/New Venture," Professor Barry Merkin's invaluable course.

- ii. There will be a brief discussion about which financing sources to use when, how they can help or hurt your goal, etc. However this does not deal with the detailed aspects such as are covered in "Entrepreneurial Finance," Professor Steve Roger's invaluable course.
4. Is it possible to get financing for a start-up in the current economic climate?

## B. Syllabus

Read the following (available on the Blackboard System):

- Shefsky, Lloyd E. and Gruber, Misty S. "Prospectus Perspective: Private Deliberations About Going Public." Shefsky & Froelich, Ltd. 1992. pp. 1-12.
- Gunther, Merle. "They All Want a Piece of Bill Gross." *Fortune*. Nov. 11, 2002. pp. 230-234.
- Manes, Stephen. "Smart Cart." *Forbes*. Nov. 25, 2002. pp. 230-231.
- Second Amended Complaint filed in California litigation "Kline Hawkes vs. Bill Gross." filed in Los Angeles Superior Court on Jul. 29, 2002. pp. 1-49.
- Hira, Nadira A. "Idealab Reloaded: Ex-dot-com-wizard Bill Gross is back." *Fortune*. Sept. 5, 2005. pp. 143-146.

As to Idealab, consider the following:

- What should Bill Gross have done differently?
  - Is limited liability really limited?
  - "Show me the Money!" "Is that All There Is?"
  - Investors' Expectations--What is realistic and what is real?
  - Is success a sufficient defense?
  - Does fear of failure end with failure?
- Ryan, Liz. "How to Slide Smoothly Into a Side Business." *Businessweek*, Jan. 21, 2008, Issue 4067, p. SC08.
  - Buckman, Rebecca. "VC's New Math: Does Less = More!" *The Wall Street Journal*, Dec. 29, 2007.
  - Gage, Jack. "Don't Peek." *Forbes*, Jan. 7, 2008, Vol. 181, Issue 1, p. 32.
  - Kawasaki, Guy. "Garnering Angels (insights) (raising angel capital)." *Entrepreneur*, Jan. 2008, p. 48.
  - Prystay, Cris. "With Loans, Poor South Asian Women Turn Entrepreneurial." *The Wall Street Journal*, May 25, 2005.

<b>Topic VIII    <i>Entrepreneurial Communication &amp; Marketing Skills</i></b>
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### A. Outline

1. Successful entrepreneurs need unique communications skills
  - To attract resources
  - To articulate their entrepreneurial dreams in a mesmerizing way
  - To make people work hard for less or deferred compensationThese include:
  - Describing new, unclear concepts
  - Telling stories about the future
  - Mesmerizing with near-hypnotic effect
2. Successful entrepreneurs use media celebrity:
  - To enhance the company's status and results; and

To enhance the entrepreneur's status and wealth.  
How do they do this differently than managers?

3. What is celebrity status's impact on various business relationships:  
    Financing?  
    Customers?  
    Suppliers?  
    Operating Results?
4. What is the difference between:  
    Private PR vs. Public PR?
5. How do entrepreneurs do market research differently than non entrepreneur managers?
6. How do entrepreneurs market with scarce funds?
7. What skill sets are required and how does one develop them?

## B. Syllabus

Read the following (available on the Blackboard System):

- Karlgaard, Rich. "How to Give Great Speeches." *Forbes*, Dec. 10, 2007, Vol. 180, Issue 12, p. 37.
- Whyte, David. "A Larger Language for Leadership." (Interview on Conversational Leadership) *Harvard Business Review*, May 2007.
- Sahlman, William A. "Dr. John's Products, Ltd." Harvard Business School. Case N9-803-063, Oct. 8, 2002. pp. 1-22.
- Gurley, J. William. "The Great Art of Storytelling." *Fortune*. Nov. 8, 1999. pp. 300 and 304.
- McKee, Robert. "Storytelling That Moves People." *Harvard Business Review*. Jun. 2003. pp. 51-55.
- Denning, Stephen. "Telling Tales." *Harvard Business Review*. May 2004. pp. 122-129.

<b>Topic IX</b> <i>New Thing</i>
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## A. Outline

1. What is the relevance of Speed?  
    Market Share vs. Market Ownership  
    Is first-to-market best? If so, for whom?  
    Is "out-of-the-box" thinking now out of vogue?  
    Should it be?
2. What's better—
  - a. Being the first to try the next new thing, or
  - b. Positioning to serve the next new thing?
3. Are there new considerations regarding Compensation?  
    What's out? What's In?
4. How have Mobility and the Attractive Track changed?
5. Is there a change in the Requisite Track Record?
6. Is there a difference between Substance and Promotion?
7. Is there a different meaning of Ethics?
8. What is the Impact of an IPO Goal?
9. Patents – an overview of use
10. Conveyance of multiple disciplines

## B. Syllabus

Read the following (available on the Blackboard System):

- Rigdon, Joan "The Second Mover Advantage: Why It Pays to Let Pioneers Make the Mistakes." *Red Herring*. Sept. 2000. pp. 462-470.

- Champy, James. "Management Strategies Only a Few Sea Turtles Survive." *Forbes*. Feb. 21, 2000. pp. 96-97.
- "Gut Feelings: Why Snap Decisions Work." (Book Review) *Businessweek*, Aug. 20, 2007.
- Kawasaki, Guy "'Bring it on. (insights) (Wise Guy) (driving your company's competition to success)." *Entrepreneur*, Nov. 2007, p. 52.
- "KSR International v Teleflex Inc. et al." Supreme Court, October Term 2006, pp. 1-7 and 1-24.
- Liedtke, Michael. "Google Invests in Founders Wife's Firm." *Chicago Tribune*, May 23, 2007.
- Henkel, Joachim and Reitzig, Markus. "Patent Sharks." *Harvard Business Review*, June 1, 2008.
- Rae-Dupree, Janet. "It's No Time to Forget About Innovation." *New York Times*, Nov. 1, 2008.

<b>Final Class</b> <i>Overview of Course; Controlled Free-For-All</i>
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**A. Overview of Course**

**B. Guests:**

1. Their Lessons
2. Cautions

**C. Your Entrepreneurial Business:**

1. How can I help?
2. How can you help each other?