KIEI-470: Launching and Leading Startups

Syllabus

Fall 2019

Global Hub, Room 1110

Professor Carter Cast
Phone: 415-710-8447 (cell)
E-mail: c-cast@kellogg.northwestern.edu

TA Paul Mickan
Phone: 504-650-1008 (cell)
E-mail: paul.mickan@kellogg.northwestern.edu

CONTENTS

Overview ........................................................................................................................................... 2
Course Format and Expectations ........................................................................................................ 4
Course Assignments and Grading ...................................................................................................... 5
Office Hours..................................................................................................................................... 6
Weekly Breakdown............................................................................................................................ 7
Overview:

Summary:

*Launching and Leading Startups* (KIEI-470) is a broad survey course for innovative, entrepreneurially-minded students. It examines six of the biggest and most challenging topics that entrepreneurial CEOs must address and implement for their startups to succeed, from mitigating risk to determining effective go-to-market strategies to learning how to effectively manage the board and investors.

**Ultimately, the intent of this course is to give you an idea of what it’s like to be in the hot seat as an entrepreneurial CEO.** The goal is to help you understand some of the critical challenges that come with the position and how to think through them.

**Who should take this course:**

This course was designed for students who either:

1) want to be entrepreneurs, now or in the future;
2) are keenly interested in a career path in business innovation, whether it’s working inside a new venture or innovating inside a larger firm (i.e. “intrapreneurs”);
3) are curious about a career in entrepreneurship and innovation and want to better understand what it entails and explore if it fits well with their inherent personality traits and talents.

**Who should not take this course:**

1) Students interested in working on developing specific business ideas—they should take *New Venture Discovery* and/or *New Venture Development*.
2) Students who aren’t prepared to participate DEEPLY in classroom discussion with their peers. (I am completely serious about this – classroom participation is 25% of student grades. Some students do not like that this portion of the grade is so high and is also tracked carefully.)
3) If you’ve taken *New Venture Discovery*, I would not recommend taking this class. There is some overlap in material with this class and *New Venture Discovery*. Not a lot, but enough that I wouldn’t take both.

**This course does not cover how to develop your own startup idea** (that would be the *New Venture Discovery* and *New Venture Development* classes) or how to acquire a business (that would be the *Entrepreneurship through Acquisition* class). And while we will touch on startup funding, we will not cover it in detail. (If you want more on this topic, I recommend taking *Entrepreneurial Finance*.) Also, this is not a class in venture capital. We will touch on it in class 10, but primarily from the point of view of the entrepreneur working with VCs and angel investors.

*Launching and Leading Startups* is a case-driven course that examines the following six key areas that are crucial and constantly challenging aspects of launching and leading startups:

- **Determining and Mitigating Risks:** What assumptions, if they’re wrong, could kill your new venture? We will examine this topic by: a) demonstrating the fast, iterative testing methods of the lean startup and b) looking at a startup’s fundamental business model economics, using unit level economics to gauge and test where the biggest risk factors reside and the critical key performance indicators are for the startup.

- **Product-Market Fit:** Startup ventures often fail because the entrepreneur fails to achieve “product-market fit.” They build a solution to a problem that doesn’t exist, or they fail to build a solution that actually solves a real problem. We will examine areas such as: market attractiveness; market segmentation and competitive differentiation; the value proposition and what “product traction” looks like.
- **Go-to-Market Considerations:** Another key reason new ventures fail is because entrepreneurs are unable to get their product/service in the end user’s hands in an economical and scalable way. We will examine: a) marketing and customer acquisition economics; b) selling and channel strategy and methods of revenue generation and c) how to sell your idea.

- **Executing on Your Strategy:** You now have a launch plan for your startup, but you know the saying from Robert Burns’ poem that “The best laid plans of mice and men often go awry”. What is required to successfully execute on your strategy? What happens when things change (as they inevitably do when competitors enter, customers are unhappy or vendors react)? When do you stick to your plan and when do you adapt? What partners, employees and other resources will be the difference between success and failure? We will examine the fundamentals of good business execution in a dynamic startup environment.

- **Being the CEO:** Successful entrepreneurial CEOs share a handful of traits and behaviors, which we will examine, including: self-understanding and self-regulation; grit and tenacity; optimism; flexible thinking and learning agility. Second, we will examine people and culture. Whether you like it or not, as an entrepreneurial leader you are the Chief People and Culture Officers of your startup. Third, we will discuss the importance of good board management. We will analyze successful board/mentor relationships and how to develop a process for selecting and successfully working with a board while augmenting those relationships with successful mentors.

- **Startup Funding:** We will finish the course by looking at how various investors, including angel investors and seed funds and venture capitalists examine start up opportunities and value them. We will look at the term sheet and the push and pull areas between investors and entrepreneurs. We will also touch on elements of a good pitch deck.

**Course Format:** *Launching and Leading Startups* is a case-driven course that contains team-based exercises and field work. After select topics and cases, entrepreneurs, CEOs and venture capitalists will also come into the class, offering their real-world perspectives on the topic of focus.

**Grading** will be based largely on the team-based performance on case assignments and exercises as well as overall individual class participation (which is critical given that this is a case-driven class). Students enrolling in this class will be working in teams of 5 students.

**Teams:** Please note: Teams will be randomly assigned. You will learn who is on your team (of five) in the first class on September 24th.

**A Final Point:** Two graded cases in particular require a lot of work: Tovala in week 2 (due on 9/30), where your team will need to go out into the market and conduct discovery research and Rent the Runway in week 4 (due on 10/14), where your team will have to build a unit economic model. PLEASE PLAN YOUR WEEKS ACCORDINGLY! Thanks.
COURSE FORMAT AND EXPECTATIONS

Format:
Launching and Leading Startups consists of ten classes, each in a three-hour session. Classes will vary in format, from lectures to group discussions, cross-team collaborations and exercises to student presentations or guest speakers and panels. The environment will be dynamic and collaborative.

All case readings and homework MUST be completed BEFORE the class. I will not be restating in detail what was covered in those readings or videos, but rather the goal will be to delve deeper into a particular topic area, by lecturing, through class discussion, and by bringing in a guest who has deep experience in the area. This format has been successful in top business schools, but it only works if everyone is prepared before class. I WILL COLD-CALL, A LOT, so please come to each and every class prepared.

In each session, we will address a topic of relevance for starting, leading and growing a successful venture. You will use frameworks and tools that are useful in assessing the market potential of a new venture. You will learn from the experience of other entrepreneurs to understand the reasons why and how they succeeded or failed. Most importantly, you will discuss and debate your ideas with your fellow team members and classmates, building and refining them along the way.

Expectations:

First and foremost—come prepared to contribute in class. This class is effective to the extent that you speak up and benefit from each other's engagement. There are very few “right” answers in entrepreneurship, instead there are hard choices and tradeoffs that you and your team make. The active debate in our class around these entrepreneurial tradeoffs will come from your preparation prior to class and engagement during class. Your active listening, debate, constructive criticism and thoughtful brainstorming will help each other learn how to be more successful entrepreneurs. If you prepare, I promise you’ll learn a lot and you’ll give your entrepreneurial career the best possible chance of succeeding.

Specifically, I have these expectations of each person in the class:

1) **Come to class prepared to share** what you’ve learned from readings, personal experiences and fieldwork or research/experiments. Do your assignments (which are due in ForClass by midnight on the Monday preceding each class, be prepared and ready to summarize and discuss key points from the readings, cases or videos. Note: 25% of your grade is based on participation – this isn’t a “ballpark” guesstimate, but is tracked by my teaching assistant.

2) **Attend every class, be on time** (which means be early - punctuality is a sign of commitment and respect) and stay for the entire session. If you have an unavoidable conflict and cannot attend class, please email me 24 hours in advance. **If you miss more than one class, it will likely affect your grade.** Fifty percent of your grade is based on class contribution and case prep. Being on time means that by the official start time of class, you are: (1) seated in your designated seat with your nametag displayed, (2) focused without any digital (or other) distractions and (3) prepared for discussion.

3) **Don’t distract yourself with devices/internet in class.** I will allow the use of tablets in class for note-taking but no laptops. And please keep your phones out of sight in class. Thank you.

This course adheres to the guidelines established in the Kellogg Honor Code and the Kellogg Code of Classroom Etiquette. **In summary, treat this class as you would an important business meeting.** This means you would arrive on time (probably early) and would be well prepared to engage in a meaningful way.

By the way, if some of the above seems a bit severe, it’s not meant to be. **I simply want to create the best possible environment in which you can learn.** And, I should mention, we will have fun in this class. Entrepreneurship is inherently fun and I for one will bring a lot of energy to the topic...
Your final grade is composed of:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Percentage</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Graded Group Assignments</td>
<td>50%</td>
<td>Group-based</td>
</tr>
<tr>
<td>Weekly Case Prep Questions on ForClass</td>
<td>25%</td>
<td>Individual</td>
</tr>
<tr>
<td>Class Contribution</td>
<td>25%</td>
<td>Individual</td>
</tr>
<tr>
<td>Peer Evaluations</td>
<td>“on the margin”</td>
<td>Individual</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

ASSIGNMENTS - 50% (3 GROUP CASES + ONE INDIVIDUAL CASE)

On many weeks, you will receive an individual or group assignment (including case write-ups, exercises or short presentations) to be completed and turned in via Canvas, in ForClass by MIDNIGHT on Monday before our Tuesday class. If you turn it in after that time, it will not be counted. Please prepare for every class session, with an eye to how the assignment and material will help you improve and refine your skills as a CEO or leader of an entrepreneurial organization.

Graded Group Assignments (are in addition to any other reading, case questions, etc.) and include:
1. Tovala Market Research Assignment (week 2)
2. Rent the Runway Assignment (week 4)
3. BabbaCo (week 6)
4. PunchTab Case (week 10)

WEEKLY CASE PREP QUESTIONS ON FORCLASS - 25% (INDIVIDUAL)

Nearly all cases (including the case prep for the first class) will require students, individually, to submit their answers to the case questions in ForClass by midnight Central Time the night before class. All answers on ForClass should be submitted individually even if other parts of the assignment included group work.

Note: I will examine every one of your weekly individual case submissions in ForClass and, at the end of the quarter, assign you a grade based on the overall quality / substance of your collective submissions. I read every single submission on ForClass - every student’s written answers, so please be thoughtful as you complete them. 😊

CLASSROOM DISCUSSION AND CONTRIBUTION - 25% (INDIVIDUAL)

All class sessions will thrive based on your active discussion of the readings, lectures, speakers & panelists as well as your completion of weekly assignments that will both further your new venture concept and allow you to participate in class more fully. You must come prepared to debate and share your best ideas, and listen to and interpret the ideas presented by others. I keep track of all students’ contributions to the classroom discussion throughout the quarter. While I expect that most participation will be voluntary, in order to ensure that everyone has the opportunity to be involved and comes prepared to class, I will cold-call on people.
PEER EVALUATIONS - SUBJECTIVE (INDIVIDUAL)

Each student will allocate 100 points to the members of his/her team describing the contribution that each member made including himself/herself. If there is a meaningful discrepancy in the contribution of team members, I reserve the right to adjust the team portion of their grade accordingly.

TURNING IN ASSIGNMENTS

Note that all homework and case prep questions are due by Monday night at midnight, the day before our Tuesday class.

OFFICE HOURS AND CONTACT INFORMATION

I will be available to meet with you on campus at the new Global Hub during my office hours, which, unless otherwise identified, are from noon to 3pm on Fridays in room 3177. Please contact me to make an appointment (I respond promptly to both emails and texts.)

I can be reached at c-cast@kellogg.northwestern.edu or on my cell at 415-710-8447.

And Paul can be reached at: paul.mickan@kellogg.northwestern.edu or on his cell at (504) 650-1008.
<table>
<thead>
<tr>
<th>Week</th>
<th>Theme</th>
<th>Discussion &amp; Assignment</th>
</tr>
</thead>
</table>
| 1 9-24-19 | **Introduction and Entrepreneurial Risk** | If the definition of “entrepreneur” is someone who takes greater than normal risk, how can I effectively manage risk? What discovery tools can I use to reduce risk for my startup idea?  
Due:  
1. Read **e-Comics Case** and complete Q&A on ForClass by midnight on Monday 9/23 (Individual – Pass/Fail)  
2. **Required Reading**: “The Sure Thing”, The New Yorker, Malcolm Gladwell (posted in Canvas)  
3. Recommended listening: ‘**How I Built This**’ Podcast: Sara Blakely of Spanx. |
| 2 10-1-19 | **Product / Market Fit (I): Needs, Markets and Value Prop** | How do I identify attractive markets and identify the customer need? What do I need to know about my target customer? How do I pinpoint my value proposition?  
Due:  
1. **Tovala Market Research Assignment** (Group – Graded) and turn in by midnight on Monday 9/30. (Note: a hard assignment! Be ready!)  
2. **Required Reading**: Blue Ocean Strategy: From Theory to Practice, W. Chan Kim; Renee A. Mauborgne (in case pack). |
| 3 10-8-19 | **Product / Market Fit (II): Validation** | We will examine the various components of the Business Model Canvas and examine how to compete inside a “Red Ocean.”  
Due:  
1. Read **CaffeBene Case** and complete Q&A on ForClass by midnight on Monday 10/7 (Individual -- Pass/Fail).  
2. **Required Reading**: Why the Lean Startup Changes Everything, Blank. (in case pack)  
3. **Required video**: The Business Model Canvas (Blank). ([https://www.youtube.com/watch?v=IP0cUBWTgpY](https://www.youtube.com/watch?v=IP0cUBWTgpY))  
4. Recommended Reading: Distance Still Matters, Ghemawat (posted on Canvas); Managing Global Expansion, Gupta and Govindarajan (posted on Canvas).  
| Week 4 10-15-19 | **Go-to-Market Strategy (I): Demonstrating Traction** | What does real market traction look like? What are key calculations you can use to gauge progress and demonstrate that you have product-market fit? Due:  
1. Read *Rent the Runway Case* and complete Q&A on ForClass by midnight on Monday 10/14 (Individual – Pass/Fail)  
2. Complete as a group, the **Unit Economics Calculator Assignment** for *Rent the Runway Case* on ForClass by midnight on Monday 10/14 (Group – Graded). **Note**: this is a hard case! Set aside time for it.  
3. Recommended listening (after completing the assignment): [How I Built This’ Podcast](https://howibuiltthis.com/): Jenn Hyman, Rent the Runway. |
| Week 5 10-22-19 | **Go-to-Market Strategy (II): Sales and Distribution** | What are my options around sales and channel strategies? How do I think about preparing and organizing my selling effort? Due:  
1. Read *Plastiq Case* and complete Q&A on ForClass by midnight on Monday 10/21 (Individual – Pass/Fail)  
2. **Required reading**: Entrepreneurial Selling. Deutsch & Wortmann. (Posted in Canvas.)  
6. Recommended listening: Rocketship.fm: This is a five-part series (each episode ~20 minutes long) on different parts of the sales process. A) “Sales is Not a Dirty Word”; B) “The Secrets to Building a Sales Pipeline”; C) “The Art of the Pitch”; D) “Closing the Deal”; E) “Why You’re Never Done Selling” |
| Week 6 10-29-19 | **Go-to-Market Strategy (III): Marketing** | I think I have product-market fit, now, how do I get my product into the hands of my targeted customers? How do I make decisions around marketing strategies and vehicles? Due:  
1. Read *BabbaCo Case* and complete Q&A on ForClass by midnight on 10-28 (Group – Graded). **This isn’t an easy case – set aside time for it!**  
2. **Recommended Reading**: A Collection of the ‘Best Marketing Articles of All-Time (a blogger’s collection): [https://ahrefs.com/blog/marketing-articles/](https://ahrefs.com/blog/marketing-articles/). (Some of these articles contain good tactical advice about how to drive revenue using various marketing vehicles.) |
| Week 7 11-5-19 | **Business Model Execution** | I have a plan, now how do I deliver on it? What are critical aspects of early operational execution? How do I decide when to change my game plan when things aren’t going so well? Due:  
1. **CityWide Case**, read the case and complete Q&A on ForClass by midnight on 11/4. (Individual – Pass/Fail)  
2. **Required reading**: a) Startups That Last. Gulati and DeSantola (in case pack); b) The Effective Executive. Drucker. (Posted on Canvas)  
3. Recommended reading: The Execution Trap. Martin. (Posted on Canvas.) |
| Week 8  | Being the CEO (I) | I will go off the beaten path (from a curricular standpoint) and present thoughts around your career direction. Then we will go over the Supercell case after that. Due:  
1. **Supercell Case**, read the case and complete Q&A on ForClass by midnight on 11-11. (Individual – Pass/Fail)  
| Week 9  | Being the CEO (II) | Your startup is taking off – you now need to hire and lead well in order to scale it. What are some of the key principles to doing this effectively? Due:  
1. **CloudFlare Case**, read the case and complete Q&A on ForClass by midnight on 11/18 (Individual – Pass/Fail)  
2. **Required Reading:** a) How to Handle Difficult Conversations at Work (in case pack); b) What Great Managers Do. Buckingham. (In case pack.); c) Geoff Smart on Hiring Talented Teams (on Canvas.)  
3. Recommended listening: A) 'Masters of Scale' with Reid Hoffman: Netflix’s Reed Hastings in Culture Shock. B) Startup Podcast: Shadowed Qualities: this is one episode in a series on the founder of Gimlet Media and discusses his ups and downs as a startup CEO; C) The Reboot Podcast: “Heeding Life’s Speed Bumps – with Matt Tara and Jerry Colonna”  
4. Recommended reading: a) Leading Now: Critical Capabilities for a Complex World – HBR Publishing (posted on Canvas); b) How to be a CEO – Adam Bryant (posted on Canvas). |
| Week 10 | Funding Growth and Closing Thoughts | What are my options for financing my company’s growth and what are some of the key watch-out areas when I negotiate terms? Final thoughts from the professor on leading startups. Due:  
1. **Punchtab Case**, read the case and complete Q&A on ForClass by midnight on 12/2 (Group--Graded)  
2. **Required Reading:**  
   a. Raising Startup Capital, Bussgang (in case pack)  
   b. How to Negotiate with VCs, Malhotra (in case pack)  
3. Recommended listening: ’Masters of Scale’ with Reid Hoffman: The Money Episode — with Minted’s Mariam Naficy |
| Finals Week | n/a | You’re done, folks! |