

## MGT 370/570—New Venture Management Fall 2019

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**Course Description:** This course is geared towards developing the theoretical and applied knowledge necessary for students to understand entrepreneurship, the entrepreneur, and the new venture creation process as well as stimulating students' alertness towards opportunity recognition and value creation with limited resources.

### Course Objectives:

The student will gain an understanding of:

1. Main theoretical perspectives in entrepreneurship
2. Opportunity recognition
3. The practical challenges of new venture management such as starting/acquiring, operating, financing, and marketing a new business. Emphasis is given to understanding various theoretical and functional concepts in entrepreneurship and applying them in creating and presenting a business plan. The student will be exposed to all elements of a business including company structures, market analysis and plans, management, operations, and financial planning/reporting.
4. Creating and presenting a business plan including the skills required in practical business writing, analysis, and presentation before critical reviewers.
5. The skills required for working as teams to develop a business plan which represents a realistic new venture situation that could be implemented if a student, student team, or other entrepreneur choose to do so. This includes basic team disciplines for managing and completing projects over extended time periods.

**Course Format:** To achieve the course objectives, students will: 1) read extensive scientific and practitioner entrepreneurship literature, 2) engage in discussions on relevant entrepreneurship topics using both literature support as well as personal experiences, and 3) develop a comprehensive business plan of a creative entrepreneurial venture. *This is a cross-listed course and hence has both undergraduate and graduate students. While all assignments will be required by all students, to discriminate (in terms of rigor) between undergraduate and graduate students, I will require considerably more research, analysis, engagement, detail, and insight from the graduate students (please see more details in the Grading Rubric section below).*

### Course Grading:

Discussions (3):	30%
Homework:	10%
Opp. Recognition:	5%
Business Plan Sections (4)	40%

Business Plan: 15%

**Grade Distribution:**

- > 90% (A)
- 89.9% - 80% (B)
- 79.9% - 70% (C)
- 69.9% - 60% (D)
- < 60% (F)

**General Guideline for Assignments:** Discussions and Homework are individual assignments. Business plan sections and the final business plan should be done in a group of 4-5 students depending on the student head count. You only need to submit one assignment for all the individuals on the team—in other words, each team member does not have to submit the assignment as I will give grades to all those whose names appear on the received document. Peer evaluations only need to be emailed to me if you feel that a member is performing sub-par work. In other words, I will follow a ‘management by exception’ policy for the evaluations; all members shall receive the highest score UNLESS peers submit an evaluation with sub-par ratings.

**The following formatting guidelines for all written assignments should be used:** typed using *12-point Times New Roman font, double spaced, one-inch margins all around, page numbering on bottom of page, no header or footer, student name or team name, assignment information, and date in upper left hand corner.*

**Discussions (Individual)**

Students will engage in three different discussions in the beginning of the semester. The purpose of having early discussions is to accelerate the reading and understanding of new ventures. The topics for discussion are presented below and are also available on eCollege. These discussions will serve two objectives: 1) stimulate reflection concerning pressing issues (and hopefully interesting to you) in the new venture/entrepreneurship domain, and 2) offer you the opportunity to exchange thoughts and experiences with your peers. The key to quality discussions is the value-added insights you present to the discussion. Therefore, your grade will be based on the degree to which you contribute to the discussion through insightful comments (i.e. simply stating “I also think so...” is not considered insightful). Please keep in mind that I will only consider your postings that are entered no later than **2 full days** after the established date for the discussions on the syllabus. For example, if the date for the discussion on the syllabus shows for Friday the 8<sup>th</sup>, you will have until midnight of Sunday the 10<sup>th</sup> to post your comments. The purpose of having a two-day window is to keep us all on the same topic during a given timeframe. This will also allow you sufficient time to read the posts by your peers and engage in a meaningful discussion and sharing of thoughts, ideas and insights.

Discussion 1: Please read about entrepreneurial characteristics (i.e., personality, motivations, tendencies, orientation etc.) and entrepreneurial types (i.e., lifestyle, serial etc.) and then reflect about which characteristics you identify with and which you would like to have a bit more/less

of...write your post in such a way that demonstrates the knowledge of your research (make sure to use references) and explain how the findings of the research resonate with you personally.

Discussion 2: The primary construct in entrepreneurship and new venture is opportunity recognition. Please research and explain the several prominent theories concerning opportunity recognition; during this process, I want you to talk to entrepreneurs you know and ask them how they identified opportunities. During this discussion, I would like for you to research and discuss entrepreneurial biases that influence an entrepreneur's perception as to their capabilities and their odds of successfully launching the venture.

Discussion 3: Moving from opportunity recognition to starting a new venture is a big leap. Not all individuals who recognize an opportunity necessarily start a new venture. The decision to start a new venture is a cumbersome process and there are multiple factors that influence this decision. Perform a literature review on several factors that influence entrepreneurs' intention to start a new venture. Explain how the findings resonate with your experience and/or of those people you have known (those whom you talked with during opportunity recognition discussion), and then make sure to engage in discussions with your peers. Discuss factors that you found most interesting during your research and interviews. Provide references.

### **Homework assignment (Individual)**

I would like for you to view episodes of 'Shark Tank' and select two businesses (one that was financed and one that wasn't financed) and investigate about the following: 1) what types of businesses were requesting financing, 2) how did they arrive at their valuation (make sure to calculate the value of the business based on how much the owners are willing to give up of the company in relation to the amount of cash the business is expected to generate), 3) did you notice any recurring questions asked by the sharks, 4) what were the primary reasons for rejecting a business and what were the reasons given to finance a business, 5) offer some other insights (what did you find interesting, shocking, intriguing...) about what you learned from listening to multiple pitches from the participants and comments from the sharks. **Most importantly**, finish your report up with some suggestions to the business that did not get the financing and some suggestions to grow for the business that was financed by the sharks.

### **Business Plan Sections (Team)**

The purpose of this assignment is for you to work on, submit each section of the business plan. Please note that your final business plan, which is explained next, will be the compilation of all of the business plan sections. Each section of the business plans includes in-depth research and analysis of that functional area (i.e., opportunity recognition, marketing, operations, finance). Each section of the plan will be graded based upon creativity, timeliness, specificity, depth and breadth of analyses, and SUPPORT (qualitative and quantitative) for that particular section of the plan, as well as your team members rating of your contribution. Please refer to business plan sections at the end of this syllabus for the details of this assignment.

### **Business Plan (Team)**

The purpose of this assignment is for you to analyze your immediate environment and exercise your creativity and ability to discover and exploit opportunities by using concepts and tools from many business disciplines such as marketing, operations, finance, accounting, law, and management. This assignment requires that you develop detailed knowledge of the practical business world and an understanding of how the different business disciplines come together in a cohesive manner. The plan will be graded based upon creativity, timeliness, specificity, depth and breadth of analyses, and SUPPORT (qualitative and quantitative) for your business idea, as well as your team members rating of your contribution. *Please refer to the attached business plan outline for the structure of your business plan. Also note that although individual business plan sections are weighted equally for individual submission, they have a different grade distribution for the final business plan. Since I will provide feedback for individual sections, you must implement the changes based on my feedback.*

**Students with Disabilities:** The Americans with Disabilities Act (ADA) is a federal antidiscrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please contact the Office of Student Disability Resources and Services, Texas A&M-Commerce, Gee Library, Room 132 – Phone (903) 886-5150 or (903) 886-5835 – Fax (903) 468-8148 – StudentDisabilityServices@tamuc.edu

### **CAMPUS CONCEALED CARRY:**

Texas Senate Bill - 11 (Government Code 411.2031, et al.) authorizes the carrying of a concealed handgun in Texas A&M University-Commerce buildings only by persons who have been issued and are in possession of a Texas License to Carry a Handgun. Qualified law enforcement officers or those who are otherwise authorized to carry a concealed handgun in the State of Texas are also permitted to do so. Pursuant to Penal Code (PC) 46.035 and A&MCommerce Rule 34.06.02.R1, license holders may not carry a concealed handgun in restricted locations. For a list of locations, please refer to (<http://www.tamuc.edu/aboutUs/policiesProceduresStandardsStatements/rulesProcedures/34SafetyOfEmployeesAndStudents/34.06.02.R1.pdf>) and/or consult your event organizer). Pursuant to PC 46.035, the open carrying of handguns is prohibited on all A&M-Commerce campuses. Report violations to the University Police Department at 903-886-5868 or 9-1-1.

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A&M-Commerce will comply in the classroom, and in online courses, with all federal and state laws prohibiting discrimination and related retaliation on the basis of race, color, religion, sex, national origin, disability, age, genetic information or veteran status. Further, an environment free from discrimination on the basis of sexual orientation, gender identity, or gender expression will be maintained.

**Code of Student Conduct:** All students will follow the tenets of common decency and acceptable behavior conducive to a positive learning environment. See Student's Handbook, Rules, and Procedures, Code of Student Conduct <http://www.tamuccommerce.edu/studentlife/guidebook67.pdf>. College of Business professors do not tolerate **plagiarism** and other forms of academic **dishonesty**. Instructors "are expected to uphold and support student integrity and honesty by maintaining conditions that encourage and enforce academic honesty. Conduct that violates generally accepted standards of academic honesty is "**Academic dishonesty.**" **It includes, but is not limited to, plagiarism (the appropriation or stealing of the ideas or words of another and passing them off as one's own), cheating on exams or other course assignments, collusion (the unauthorized collaboration with others in preparing course assignments), and abuse (destruction, defacing, or removal) of resource material.**" See 13.99.99.R0.10 Academic Honesty at [http://www.tamuCommerce.edu/administration/Rules%26Procedures/rules\\_procedures.asp?RID=97](http://www.tamuCommerce.edu/administration/Rules%26Procedures/rules_procedures.asp?RID=97). In accordance with the Texas A&M University-Commerce Code of Student Conduct Section 5.b [1, 2, 3], the penalties for students guilty of academic dishonesty include **disciplinary probation, suspension, and expulsion. Also, you will receive an "F" for this course. Please be aware that it is YOUR responsibility to ensure that any document that contains your name follows these guidelines; all group members will receive the same sanction regardless of who specifically incurred in the infraction.**

### Course Schedule

Week	Days	Topics: Text Chapters	Work Due by 11:59PM on mentioned days
1	Aug 26-Sep 01	Introduction, what is Entrepreneurship? What is a New Venture?	Honesty Policy: Sep 01
2	Sep 02-Sep 08	The Entrepreneur and Entrepreneurial Characteristics <b>First Live Session: Sep 02, 7:00 pm</b>	Discussion 1: Due Sep 06, Comments due Sep 08
3	Sep 09-Sep 15	Opportunity Recognition	Discussion 2: Due Sep 13, Comments due Sep 15 <b>Team Formation</b>
4	Sep 16-Sep 22	Entrepreneurial Intention to Start a New Venture <b>Second Live Session: Sep 16, 7:00 pm</b>	Discussion 3: Due Sep 20, Comments due Sep 22
5	Sep 23-Sep 29	Creativity and Innovation	Opp. Recognition: Due Sep 29
6	Sep 30-Oct 06	Purchasing an Existing Business Vs Starting from Scratch	
7	Oct 07-Oct 13	Marketing	
8	Oct 14-Oct 20	Pricing & Credit Decision <b>Third Live Session: Oct 14, 7:00 pm</b>	Marketing Analysis and Plan: Due Oct 20
9	Oct 21-Oct 27	Managing Operations	
10	Oct 28-Nov 03	Financing a New Venture	Operations Plan: Due Nov 03
11	Nov 04-Nov 10	Financial Statements	
12	Nov 11-Nov 17	Work on Financial Analysis <b>Fourth Live Session: Nov 11, 7:00 pm</b>	Homework: Due Nov 17
13	Nov 18-Nov 24		Financial Plan: Due Nov 24.
14	Nov 25-Dec 01	<b>Thanks Giving Break</b>	
15	Dec 02-Dec 08	Work on Business Plan	

16	Finals Week	Submit Business Plan	Due by Dec 10, 11:59 PM
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**This is a tentative schedule. I do not intend to change the schedule however, any unforeseen event during the semester may affect the schedule.**

<b>Business Plan</b>	<b>Far Exceeds Standards</b>	<b>Exceeds Standards</b>	<b>Meets Standards</b>	<b>Fails to Meet Standards</b>
<p><b>Executive Summary (10%)</b> A compelling new venture concept should be sold in just a few summarized pages. Rarely will an investor read past the executive summary unless a clear opportunity is presented.</p>	<p>Is able to articulate the new venture opportunity and present a highly convincing argument for the success of the new venture.</p> <p style="text-align: center;"><b>(10)</b></p>	<p>Is able to articulate the new venture opportunity and present a highly convincing argument for the success of the new venture.</p> <p style="text-align: center;"><b>(8)</b></p>	<p>Is able to articulate the new venture opportunity and present a highly convincing argument for the success of the new venture.</p> <p style="text-align: center;"><b>(7)</b></p>	<p>Is able to articulate the new venture opportunity and present a highly convincing argument for the success of the new venture.</p> <p style="text-align: center;"><b>(6)</b></p>
<p><b>The Team (5%)</b> “It’s better to have an A team and a B idea than a B team and an A idea”. Explain how the team members will contribute to the success of the new venture.</p>	<p>Detail how each member’s competencies individually and collectively enhance the probability of the new venture success.</p> <p style="text-align: center;"><b>(5)</b></p>	<p>Detail how each member’s competencies individually and collectively enhance the probability of the new venture success.</p> <p style="text-align: center;"><b>(4)</b></p>	<p>Roughly explains how general competencies individually and/or collectively enhance the probability of the new venture success.</p> <p style="text-align: center;"><b>(3.5)</b></p>	<p>Is not able to explain how each member’s competencies individually and/ or collectively enhance the probability of the new venture success.</p> <p style="text-align: center;"><b>(3)</b></p>

<p><b>Market analysis (20%)</b> The overall analysis should include an environmental and industry analysis, a detail of the target market, a SWOT analysis, and an analysis of the competitors strategies (marketing P's).</p>	<p>Very detailed analysis (with detailed research/ calculations) of the industry and future trends, the target market and their profile, a SWOT analysis, and a detailed analysis of the main competitors strategies (the P's of the most direct 5-7 competitors). <b>(20)</b></p>	<p>Detailed analysis (with some research/ calculations) of the industry and future trends, the target market and their profile, a SWOT analysis, and a detailed analysis of the main competitors strategies (the P's of the most direct 5-7 competitors). <b>(16)</b></p>	<p>Rough analysis of the industry and future trends, the target market and their profile, a SWOT analysis, and a detailed analysis of the main competitors strategies (the P's of the most direct 5-7 competitors). <b>(14)</b></p>	<p>Weak/ vague analysis of the industry and future trends, the target market and their profile, a SWOT analysis, and a detailed analysis of the main competitors strategies (the P's of the most direct 5-7 competitors). <b>(12)</b></p>
<p><b>Marketing Plan (20%)</b> The marketing</p>	<p>Very detailed and extremely cohesive strategy</p>	<p>Detailed and cohesive strategy of product, price,</p>	<p>Broad and somewhat integrated</p>	<p>Vague and nonintegrated strategy of product, price,</p>

<p>plan should include the mission, vision, objectives (specific), and the P's.</p>	<p>of product, price, promotion, and place (dist. / location). <b>(20)</b></p>	<p>promotion, and place (dist. / location). <b>(16)</b></p>	<p>strategy of product, price, promotion, and place (dist. / location) strategy <b>(14)</b></p>	<p>promotion, and place (dist. / location). <b>(12)</b></p>
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<p><b>Manufacturing and operations plan (10%)</b> The successful manufacturing of a product or offering of a service requires a detailed analysis of the product/service being offered, the infrastructure required to manufacture the product or offer the service, the specific equipment needed, and a detail of the production plan or sequence of the service.</p>	<p>Very detailed explanation of the manufacturing process and/ or the offering of the service. Specific details of required infrastructure and equipment, a list of providers/ suppliers and a specific explanation of the production process or sequence of the service.</p> <p style="text-align: center;"><b>(20)</b></p>	<p>Detailed explanation of the manufacturing process and/ or the offering of the service. Include details of required infrastructure and equipment, a list of providers/ suppliers and an explanation of the production process or sequence of the service.</p> <p style="text-align: center;"><b>(16)</b></p>	<p>Explanation of the manufacturing process and/ or the offering of the service. General infrastructure requirements and equipment, a list of providers/ suppliers and a broad explanation of the production process or sequence of the service.</p> <p style="text-align: center;"><b>(14)</b></p>	<p>Vague explanation of the manufacturing process and/ or the offering of the service.</p> <p style="text-align: center;"><b>(12)</b></p>
<p><b>Financial Analysis (20%)</b> In order to financially assess a venture, it is important to accurately calculate the initial investment required, a breakeven point, proforma cash flows, and the return on investment.</p>	<p>Detailed, breakdown of initial investments, break-even point, pro-forma income statement (monthly for the first year and yearly for the first 3 years), balance sheet for 3 years, and ROI. Also includes justifications for capital structure and expected dividend payout.</p> <p style="text-align: center;"><b>(20)</b></p>	<p>Break-down of initial investments, break-even point, pro-forma income statement (monthly for the first year and yearly for the first 3 years), balance sheet for 3 years, and ROI. Also includes justifications for capital structure and expected dividend payout.</p> <p style="text-align: center;"><b>(16)</b></p>	<p>Broad categorization of initial investments, break-even point, pro-forma income statement, balance sheet, (for the first 3 years), and ROI.</p> <p style="text-align: center;"><b>(14)</b></p>	<p>Very vague expected investments and returns.</p> <p style="text-align: center;"><b>(12)</b></p>

<p><b>Critical Risks (5%)</b> Every new venture has risks that may hinder its success or lead to its demise. Therefore, it is important to identify these risks in order to establish mitigation and contingency plans.</p>	<p>Detail the risks (7-10) that may cause problems for the success for the venture and what you can do to mitigate those risks as well as establish contingency plans to be implemented if need be.  <b>(5)</b></p>	<p>Detail the risks (4-7) that may cause problems for the success for the venture and what you can do to mitigate those risks as well as establish contingency plans to be implemented if need be.  <b>(4)</b></p>	<p>Detail the risks (1-3) that may cause problems for the success for the venture and what you can do to mitigate those risks as well as establish contingency plans to be implemented if need be.  <b>(3.5)</b></p>	<p>Fails to consider the risks that may cause problems for the success for the venture.  <b>(3)</b></p>
<p><b>Peer evaluation (10%)</b> I expect that all members of a team will put forth relatively the same amount of effort towards the homework. In order to secure equity, I want each member to rate the other members on a scale from 1-4 with 4 being the highest score for exceptional work and collaboration.</p>	<p>The peer performed exceptional work, eagerly collaborated on the business plan and delivered what was agreed upon.  <b>(10)</b></p>	<p>The peer performed good work, collaborated on the business plan and delivered what was agreed upon.  <b>(8)</b></p>	<p>The peer performed average work, on occasion collaborated on the business plan and delivered less than what was agreed upon.  <b>(7)</b></p>	<p>The peer performed mediocre work, did not collaborate on the business plan and did not deliver what was agreed upon.  <b>(6)</b></p>

## **Business Plan Sections**

### **Executive Summary**

The team: Who are they, experience, the role of each, and percent ownership?

The product/ service: What are you offering (characteristics) and benefits (differentiation)?

The opportunity: Why do you believe there is an existing demand for the product/ service you are offering?

The offer: How much investment is needed, what percent is being offered, how much debt will the firm have, what is the expected ROI?

### **The Team**

Resume: Each member should have an attached resume.

Organizational structure: Who is reporting to whom?

Assignment responsibility matrix: Who will be in charge of what aspect of the business plan implementation?

### **Market analysis (environmental and internal scanning)**

Environmental analysis: Perform an analysis of the environmental trends. It is the PESTEL analysis. Use these environmental trends to show how they affect overall industries. Discussion of Political, Economic, Social, and Technological trends is required. Show how these may effect your industry. This will aid you in identifying the opportunities and threats used in the SWOT.

Industry analysis: Use Porter's 5 forces analysis to conduct the industry analysis. Based on the analysis evaluate some of the industry tendencies; is the industry growing or contracting? What is the industry size? Is industry going to be profitable in next five years? Is it the right time to start a business in this industry?

Target market: Who is our product/ service targeted towards? Why would they purchase what we have to offer? Why will they give-up their current provider? Show the estimate and calculations. Determine an appropriate number of customers your business may be serving per month/year.

Competition analysis: Who are the competitors? What are their strengths and weaknesses? What are their strategies (their 'P's')?

SWOT analysis: Identify the strengths, weaknesses, opportunities and threats. Be as honest as possible. Is your strengths list a lot longer than your weaknesses list?

## **Marketing Plan**

Mission: What is the purpose of your business?

Vision: Where do you see your firm in roughly five years?

Objectives: What specific goals have you established regarding, growth, quality etc.? Are they SMART (specific, measurable, attainable, realistic and time-bound)?

Product: What are your product/ service characteristics?

Price: What price will we establish and why? Show detailed calculations for price analysis. Will we offer discounts or not? Should we group price or charge tag-on an additional charges (ex. should food or luggage in airlines be included or charged separately)?

Publicity: What strategy will we use? What mediums will we use (TV, radio, newspaper, magazines etc.) as well as the frequency and cost of each?

Location: What location will we choose and why? Did you perform a cost/ benefit analysis?

Distribution: How will we reach the final client? Wholesale, retail, internet...?

## **Manufacturing and operations plan**

The product: Does your product have technical specifications? Does it need a patent? Will there be waste? What are the required materials for manufacturing and who are the potential suppliers? Costs?

Infrastructure/ Facilities: Where will you manufacture and what are the benefits of the location? What technical requirements does the facility need? Size? Cost? You must show your due research on cost estimates.

Equipment: What equipment is needed and what are the technical specifications? Collect data from internet about the specifications and costs. Show pictures (if possible) of equipment with prices.

Production plan: Is it useful to have a flow diagram of the entire process from once an order is placed through production and finally reaching the client?

## **Financial Analysis**

Investment: What will be invested in and how much will be invested? Don't forget that the initial investment should take into account assets, operational losses and working capital. Keep your eye on details for example permits, deposits (ex. rent), salaries pre-inauguration, transportation etc.

Break-even point: What are the fixed costs, variable costs and sales price? How many units do you need to sell to have a cash flow of \$0. Perform a sensitivity analysis to analyze how the BEP will change under different conditions.

Financial statements: This is one of the most important part of financial analysis that helps in determining the financial feasibility of the business. Provide three years of proforma income statement and balance sheet.

Return on Investment: What ROI do you expect? Is it worth the risk?

### **Critical Risks**

What possibly could happen that could significantly impact the potential success of this business? Can you create a mitigation plan for these risks? Can you create a contingency plan for these risks?