

# INTRODUCTION

Professor Karl T. Ulrich



# Outline

1. Definition of entrepreneurship.
2. Some examples
3. Conditions for financial sustainability.
4. Probability of success.
5. Entrepreneurship vs. entrepreneurial management.
6. What's coming in this course and in the entrepreneurship specialization.

# **Entrepreneurship**

Creation and management of a *new* enterprise to accomplish some objective.





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Crazy 8s Math Club!

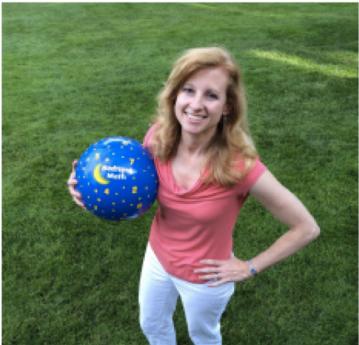
Today's Fun Math

Here's the Proof

Bedtime Math Books

Our Wacky Math App

## ABOUT US



Bedtime Math is the brainchild of Laura Bilodeau Overdeck. While not a professional teacher, she does know something about numbers. As a kid she sat and memorized perfect squares for fun, back before it was cool. As a mom, she (along with her husband John) started giving math problems to their two older kids; when their 2-year-old started hollering for his *own* math problem, they knew they were onto something, and Bedtime Math was born. Laura holds a BA in astrophysics from Princeton University, and an MBA in public policy from the Wharton School. When not playing with numbers, Laura pursues her other interests, which include chocolate, wine, extreme gravity stunts, and Lego Mindstorms.



### Our Mission and Model



### Our Team



The **after-school club** sweeping the nation!

### How Can We Help You?

FOR  
**Families**



FOR  
**Libraries**



# Raaka Chocolate

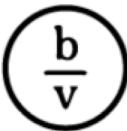


Photo: Raaka Chocolate



Carl Dietrich  
CEO TerraFugia



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## Bottle Opener \$50.00

Quantity:

[Order](#)

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The Belle-V Bottle Opener adds style to any bar. The “business end” of the opener features a self-centering lip to make removing bottle caps a cinch. The curved upper surface feels great against your palm and elevates the opener above your bar, table or counter to make it easier to pick up. The product is made from stainless steel for strength and durability and is finished and polished by hand.

Bottles have needed openers ever since William Painter invented the first pleated metal bottle cap in 1892. Typically stamped metal, utilitarian bottle openers have functioned adequately but are so visually uninteresting that users are barely aware of them during use. They are usually uncomfortable and not ergonomic in their design.

The Belle-V Bottle Opener’s beautiful design instantly forges an emotional connection with the user, who can quickly, easily and comfortably remove a bottle cap. Investment-cast stainless steel provides corrosion resistance and the thick walled durable construction imbues the bottle opener with an heirloom quality.



# Financial Sustainability – making and selling something

$$Q(p - c) > F$$

where

**Q**      **quantity** sold per unit time (e.g., openers/year)

**p**      **price** per unit (e.g., 50 USD/opener)

**c**      **cost** per unit (e.g., 20 USD/opener)

**F**      **fixed costs** to operate the business per unit time (e.g., 400,000 USD/year)  
              rent, advertising, salaries, etc.

# Financial Sustainability – making and selling something

Ignores the investment  
and negative cash flow  
required to reach  
sustainability...

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# Financial Sustainability – making and selling something

$$Q(p - c) > F$$

20,000 units/year  $\times$  (50 USD/unit – 20 USD/unit)  $>$  400,000 USD/year

600,000  $>$  400,000  $\rightarrow$  sustainable!

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**Everything in Multi-Tenant, plus:**

- ✓ Custom domain mapping
- ✓ Custom SMS numbers
- ✓ Full-service onboarding

## Financial Sustainability – on-going services

$$\text{LTV} > \text{CAC}$$

where

LTV      average customer **lifetime value** (e.g., 5000 USD/customer)  
              churn rate  
              service fees per unit time  
              duration of engagement  
              additional services adopted

CAC      **customer acquisition cost** (e.g., 3000 USD/customer)

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# What are the chances of success?

- It depends...
  - Outside investors?
  - Technology-based?
  - Extent of innovation and novelty (e.g., dry cleaner vs. new pharmaceutical)
- In general, less risky endeavors (e.g., opening a proven franchise) offer lower returns.
- For a new venture doing something significantly different (new product and/or new market), success probability likely 25% - 50%.

U.S. Statistics:

<https://www.sba.gov/advocacy>

List of studies, including global studies:

<http://www.moyak.com/papers/small-business-statistics.html>

# Average Establishment Survival Rate

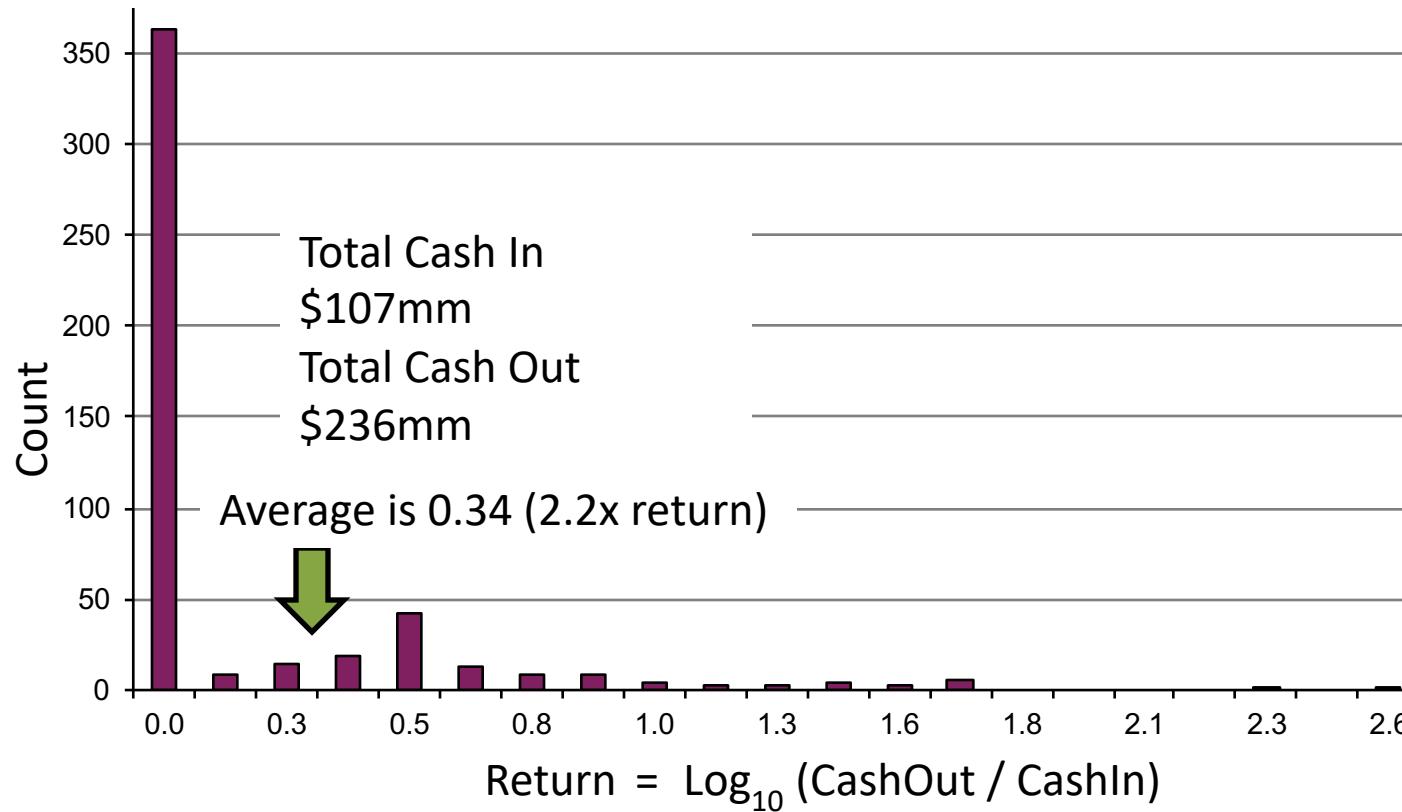
Establishments Started from 1994-2013



Source: U.S. Small Business Administration

[https://www.sba.gov/sites/default/files/SurvivalRatesAndFirmAge\\_ADA\\_0\\_0.pdf](https://www.sba.gov/sites/default/files/SurvivalRatesAndFirmAge_ADA_0_0.pdf)

# Histogram of Returns for 499 Ventures



e.g. 1,000,000 cash out on 100,000 cash in has Return of 1.0 (negative returns set to 0)

Source: Kauffman Foundation Angel Investor Performance Project. Sample is only those 499 ventures for which cash investments were made.

# SENIOR MANAGEMENT



## Scott M. Mills

Executive Vice President, Human Resources and Administration

Scott M. Mills is Executive Vice President, Human Resources and Administration for Viacom Inc. In this role, Mr. Mills is responsible for setting the company's worldwide human resources strategies and practices and for leading Viacom's administrative functions, including real estate and security.

He reports directly to Thomas E. Dooley, Chief Operating Officer of Viacom. Previously, Mr. Mills served as President and Chief Operating Officer for BET Networks. In this capacity, Mr. Mills led its business functions, including sales, finance, legal and business affairs, human resources, digital, research, strategic planning, business development, and administration. As COO, he also led the launch of BET's CENTRIC channel and initiated the BET Experience festival.

Prior to that, Mr. Mills was Chief Financial Officer and President of Digital Media. As CFO, Mr. Mills was responsible for the company's finance functions, including accounting, reporting, financial planning, tax, treasury and controls, as well as corporate research, strategic planning and business development. As President of Digital Media, Mr. Mills launched BET Mobile and BET's digital video distribution operations. Before becoming CFO, Mr. Mills was Executive Vice President and COO of BET Interactive, where he oversaw the launch of BET.com and led the property to become a leading online destination for African Americans. Prior to joining BET

as Senior Vice President of Business Development in 1997, Mr. Mills worked in investment banking and served as Deputy Treasurer of the City of Philadelphia. A native of New York, he received his Bachelor of Science degree in economics from the Wharton School of the University of Pennsylvania.

# The Entrepreneurship Specialization

This course

1. Opportunity

2. Launch

3. Growth

4. Financing and Profitability

Capstone  
Project

# Key Questions

- Is entrepreneurship for me?
- What are the different approaches to entrepreneurship and the different types of new enterprises?
- How do I identify opportunities?
- How do I select the most promising opportunity?
- How do I develop a solution concept?
- How do I test my concept?
- How do I resolve the risk and uncertainty surrounding the opportunity?
- How do I persuade others about the promise of the opportunity?



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