**Entrepreneurship and Innovation: Practical and Academic Insights**

Eng-Sci 94
Spring 2024

Monday and Wednesdays:
Section 1: 11:15 AM-12:30 PM (SEC LL2.224) (Tom Clay and Josh Lerner)
Section 2: 12:45-2:00 PM (SEC LL2.224) (Kent Bennett and Spencer Rascoff)
This Version: February 12, 2024

*Goal of the Class*

Entrepreneurship is having an increasingly important impact on the world economy. New ventures, many founded by individuals only a few years out of college, have transformed our lives in many ways, created great wealth, and accelerated social change (for better or worse). Despite its importance, entrepreneurship remains mysterious in many respects, with frequent misconceptions.

This class will explore this exciting territory. It will seek to convey both practical insights about what makes a new venture successful, as well as the current academic knowledge about the new economic actors. To accomplish this, approximately two-thirds of the class will consist of case studies, drawn from the introductory Entrepreneurial Manager class at Harvard Business School. One-quarter of the sessions will be lectures, drawing on published articles (listed below) and two books that will be suggested for different classes:

- Joshua Gans, Erin Scott, and Scott Stern, *Entrepreneurship: A Strategic Approach*, 2022.
- Peter Thiel with Blake Masters, *Zero to One: Notes on Startups, or How to Build the Future*, 2014.

A third book is recommended background reading for students thinking about career issues but not required:

- Reid Hoffman and Ben Casnocha, *The Start-Up of You*, 2022.

*Learning Objectives*

The students will gain a deeper understanding of entrepreneurship as a phenomenon and the practical steps to ensure the success of new ventures. By the end of the term, students will be able to:

- Identify what makes an attractive entrepreneurial opportunity.
- Understand how the challenge of attracting resources, whether financial or human capital, can be best addressed.
- Appreciate the characteristics that make an individual an effective entrepreneur.
- Analyze the role of new ventures in our economy and their broader social implicaitons.

- Be able to review and analyze business case materials and make decisions based on that information.

These insights will be useful for (a) students interested in eventually working for and founding new ventures, (b) those wanting to undertake research about entrepreneurship, and (c) students anticipating holding jobs that will entail interactions with new ventures (including banking, STEM faculty, and life science and technology industry positions).

*Course Materials*

There will be three sources of readings:

- Articles will be posted on Canvas and can be read there or downloaded. One book (Gans-Scott-Stern) will also have chapters posted online and need not be purchased.
- The other book (Thiel-Masters) are available on Amazon in Kindle format (https://www.amazon.com/Zero-One-Notes-Startups-Future-ebook/dp/B00J6YBOFQ) and hard copy, as well as via Audible. The recommended book can also be found there: https://www.amazon.com/Start-up-You-Future-Yourself-Transform/dp/0307888908. They will also be available as course reserves; the links for these can be found on the Library Reserves page of the course's Canvas site.
- Most critically, cases and notes must be purchased from Harvard (!). The course package, which includes all cases and notes except two (which, as noted below, will be posted on Canvas), is posted at https://hbsp.harvard.edu/import/1124180. We will post the first two weeks' cases on Canvas to ensure "shoppers" have a chance to participate in the class.

*Assignments and Grading*

This is not a "lab" class but rather structured pedagogy in the same way that one would learn Spanish or physics. Thus, preparation for and participation in class will be extremely important.

There will be five expectations of students in the class:

- Preparing the class, particularly the case studies, in advance, and participating actively in the discussions. We will follow the norms of the HBS classroom: students will be expected to be on time, to have read the material in advance and to contribute actively.
- Undertaking three write-ups of approximately three-to-four double-spaced pages on three case studies (Poppy, Pear.vc, and Scaling Nextdoor). These are indicated below, must be submitted before or at the beginning of class where the item will be discussed (March 6$^{th}$, April 5$^{th}$, and April 12$^{th}$). The write-ups should not just summarize the article or case but voice an opinion and/or recommendation about the case situation or academic analysis.
- A final reflection on at least one key issue in the class and (if you wish) their applicability to yourself, which should be in the form of 2-3 PowerPoint slides. These should be submitted by 4 am on April 24$^{th}$.
- A one-to-two paragraph final project proposal, due on April 17$^{th}$.
- A final project of approximately 15-20 pages, **due on Thursday, May 2$^{nd}$ at 5 PM ET**. This can consist of a traditional academic analysis, a paper proposal that describes an

analysis that you would like to undertake, a case-like analysis of a real life situation, or a business plan for a new venture. Status reports on at least some of these projects will be presented during the final week of the class.

Grading will be based equally on these three elements using an "HBS style" curve (20% top grade; 70% next grade; and 10% next grade) .

*Section Meetings*

We will have four section meetings over the course of the semester, which will meet at various times. We will do assign-up for sections in the 2nd week of the semester.

The section meetings will be at the set times during the weeks of February 12th, February 26th, March 18th, and April 9th. The teaching fellows will be:

Saayeli Bruni sbruni@mba2024.hbs.edu
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Fabrizio Serafini fserafini@college.harvard.edu
Justice Tension jtention@mba2024.hbs.edu

Priority will be given to freshmen and sophomores in Sofia's, Moritz's, and Fabrizio's sections.

*The Instructors*

Kent Bennett
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Office hours by appointment

Tom Clay
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***Class Outline***

<u>Introduction</u>

**Class 1: Why does entrepreneurship matter?**
*Monday 1/22*

The opening lecture seeks to motivate the study of entrepreneurship, documenting its importance in the U.S. and global economy. It also highlights some key facts about new businesses and visits the debate about whether entrepreneurship in the developed economies is waning.

ARTICLE:
Hurst, Erik, and Benjamin Pugsley, 2011, What do small businesses do?, *Brookings Papers on Economic Activity* 2, 73-118.
BOOKS: Thiel book: pp. 5-11, 107-117 (ch. 1, 9).

**Class 2: Dr. John's Products, Ltd.**
*Wednesday 1/24*

Dr. John's Products Ltd. follows the issues confronting CEO John Osher, a serial entrepreneur, and his small management team as they seek to exploit the initial success of a new, low price, battery operated toothbrush. Less than two years after launching the business in 1998, the company was already selling over 6,000 units per day. Osher had done (yet again) all the things that many entrepreneurs do: developed a product (in fits and starts), found customers, raised capital, and built a small team. Now, with the rapid sales garnering the attention of Procter & Gamble's Crest and other large players, Osher faced another set of decisions that many entrepreneurs face, too. Should he partner in some way with P&G? Should he sell the company to them or someone else? Or should he seek to scale Dr. John's into a company that churned out innovative products? Osher had started so many companies, he'd even compiled a list of sixteen mistakes entrepreneurs didn't have to make. How did he make sure he didn't commit one more to add?

CASE: Dr. John's Products Ltd.
NOTE: An (Abbreviated) Perspective on Entrepreneurship
BOOK: Gans, et al., chap. 2.

1. What does John Osher bring to this opportunity from his personal and professional background? Also, to the extent that he is, what makes him an 'entrepreneur'?
2. What is required to pursue the opportunity Osher has identified with SpinBrush? What can go right? What can go wrong? What are the key elements of the business model that Osher constructed?
3. What are the relevant economics for this venture? What annual sales volume is required for Dr. John's Products to achieve break even?
    - In estimating SpinBrush's profitability, assume an average retail selling price per unit of $6 and that retailers enjoy a 50% gross margin on the product. Assume that

Spinbrush's cost of goods sold is 50% of revenue. Assume that the fully loaded, annual cost of Spinbrush's nine employees is $1.25 million, and $500K in other overhead expenses.

4. What should Osher and his colleagues do about the options outlined in the case: build the enterprise, ally with a major incumbent oral care competitor, or sell?

<u>Module 1a: Developing and Testing the Business Model</u>

**Class 3: Rent the Runway**

*Monday 1/29*

In January 2010, Jennifer Hyman and Jennifer Fleiss, co-founders of Manhattan- based Rent the Runway (RTR), were debating their next moves. RTR was a website that rented designer dresses. Just two months after its launch, RTR had attracted more than 150,000 members. With their November launch and the holiday crunch behind them, the co-founders faced a big decision: Should RTR raise another funding round, well ahead of schedule? Fleiss and Hyman had planned to grow RTR at a measured pace during 2010 while pursuing operational improvements that would move the company toward cash flow breakeven. Was the data and feedback from early customers, however, evidence that there was such a strong fit between their product and the demands of the market that they should grow faster, increasing their inventory more rapidly and even extending their product range?

CASE: Rent the Runway
NOTE: Hypothesis-Driven Entrepreneurial Management
NOTE: Business Model Analysis of Startups
BOOK : Gans, et al., chap. 3.

1. Consider the timeline of decisions and actions undertaken by Rent the Runway's co-founders.
    - Pay particular attention to:
        - How they structured the founding team and the extended management team
        - How they pursued discussions with designers
        - How they conducted multiple trunk shows
        - Their decision to launch the service in December
    - Do you agree with the decision to pursue each action? Which actions were important in validating business model hypotheses and refining the concept? Can you suggest different actions that the cofounders should have taken?
2. Which variable is the most important driver of profitability? How does it impact the business model? What additional tests would you recommend to validate your hypothesis?
3. As the case ends in January 2010, the cofounders are considering whether to: (1) stick with their original plan to pursue operational improvements in 2010 before raising more capital in early 2011; or (2) accelerate fundraising to expand inventory and product range, enabling RTR to serve a broader set of customer segments and usage occasions. What would you do about this decision?

**Class 4: Biobot**
*Wednesday 1/31*
**Class Guest: Mariana Matus**

Newsha Ghaeli and Mariana Matus have developed a novel set of ideas while at MIT and are eager to turn them into a business. Their problems are in some senses very similar to John Osher's, but in other ways very different.

CASE: Biobot

1. What is new about what they are trying to do? How did they go about exploring and developing their idea? What mistakes did they make? How helpful were their faculty advisors?
2. Who is the customer here? What is the product?
3. Why is the fact that there is little patentable intellectual property here a major challenge?
4. What would you recommend to them as next steps?

**Class 5: Is it the idea or the entrepreneur?**
*Monday 2/5*
**Class Guest: Patrick Chung**

One of the ongoing debates among both academics and practitioners is the extent to which the success of new ventures is driven by the entrepreneurs themselves, or the focus of the business itself. This class will visit the research about this important issue.

ARTICLES:
Bernstein, Shai, Arthur Korteweg, and Kevin Laws, 2017, Attracting early stage investors: Evidence from a randomized field experiment, *Journal of Finance*, 79:2, 509-538.
Bhide, Amar, 2000, *The Origin and Evolution of New Business*, New York: Oxford University Press, pp. 196-205.
Kaplan, Steven, Berk Sensoy, and Per Strömberg, 2009, Should investors bet on the jockey or the horse: Evidence from the evolution of firms from early business plans to public companies, *Journal of Finance* 64:1, 75-115.

BOOKS: Thiel book: pp. 44-58 (ch. 5).
BOOK : Gans, et al., chap. 4.

**Class 6: Bow and Drape**
*Wednesday 2/7*
**Class guest: Aubrie Pagano**

If a Serena Williams endorsement doesn't equal Product-Market Fit, what does? Bow & Drape features the journey of Aubrie Pagano, a fashion entrepreneur whose initial vision around customized dresses evolves, after a series of pivots, into customized sweatshirts. The case navigates Pagano's customer-discovery efforts, market tests, brand evolution, and goals for the venture. We will use this case to examine the process of interpreting initial experiments, sales data, and pivots in service of answering the all-important question: “How do we know when we’ve achieved product-market fit?”

CASE: Bow and Drape (case not in course package, but posted on Canvas)

1. What do you think of the original idea for Bow and Drape? What’s your evaluation of the work Aubrie did to validate it?
2. Was the Kickstarter campaign a good test of product-market fit?
3. Does Aubrie take too long to pivot to a new business model? Should she have not shifted her approach?
4. Where should she go from here?

**Class 7: Honeycomb**
*Monday 2/12*
**Class guest: Amelia Lin**

Honeycomb, an audio app enabling seniors to record stories and save family memories, suddenly draws interest from a younger user demographic. The co-founders pivoted to better serve this market. Shortly thereafter, they considered pivoting to generative AI. This would be yet another twist and turn in their journey, one that had already seen three different company names, product offerings, and business models.

CASES: Honeycomb
Honeycomb (B): Jumping on The Generative AI Bandwagon?

1. How good a job have Amelia and Nicole done in finding product market fit?
2. Does it make sense to pivot Honeycomb again to take advantage of the generative AI opportunity?
3. How does the deteriorating financial environment for venture-backed firms affect their decision?

Note: We will mostly focus on the issues in the (B) case.

<u>Module 1b: Early-stage issues and tools</u>

**Class 8: Zipcar: Refining the Business Model**
*Wednesday 2/14*

In October 2000, Robin Chase was analyzing Zipcar's early customer and operating data. Chase was CEO and cofounder of the company, which she and Antje Danielson had started some 10 months before. The idea behind Zipcar—a form of car sharing—was simple, yet potentially revolutionary. Chase and Danielson had conducted some initial research during late 1999, and by the end of that year, the two had developed a business plan. By October, the fledgling company had 19 vehicles, nearly 250 members, and the founders had raised—and spent—an additional $325,000 to fund the early stages of operations. The September operating data was in, and Chase had to decide what to make of it so she could craft a convincing case for potential investors, and especially for her team, about what moves the company should make next.

CASE: Zipcar: Refining the Business Model
NOTE: The Choice to Cofound and Initial Control and Ownership Splits in Startups

1. How have the founders of Zipcar positioned the new service? Create a positioning statement based on their description of the Zipcar service. Be sure to describe the key point of competitive differentiation)
2. What key decisions about the service did Robin Chase make based on Zipcar’s positioning? What assumptions about customer behavior did she make in her forecast in Exhibit 5? What do the data from actual operations in September say about how the business model is playing out in practice?
3. What actions should Chase take because of the September operating results?
4. What is the most important root cause for Zipcar’s deviation from the plan and what should Chase do about this challenge?

**Class 9: Rapid7**
*Wednesday 2/21*

Corey Thomas, vice president at Rapid7, Inc., was about to enter his investor’s boardroom to negotiate a potential acquisition of Metasploit, LLC. It was already an unlikely achievement of sorts. Rapid7 was a venture-backed, corporate client-focused cybersecurity company, and Metasploit was a white-hat hacker community with a reputation that ranged from esoteric to “notorious.” And awaiting Thomas for the deliberations wasn’t a typical business partner, but rather HD Moore, Metasploit’s founder, chief contributor, and in 2009 one of the most well-known hackers on the planet. The groundwork that had been laid to convince Moore to come for the discussions would all be for naught if Thomas couldn’t come to terms with Moore; couldn't persuade his own executive team and board of directors that whatever package he ultimately agreed to with Moore was a reasonable one, even though an acquisition of Metasploit would come with no meaningful revenue and considerable execution, legal and reputational risks; and couldn't figure out a way to help Moore transition from "white hat hacker" extraordinaire to effective manager of a large engineering team.

CASE: Rapid7

1. Should Rapid7 purchase Metasploit? If so, how much should Rapid7 pay for Metasploit and how should that payment be structured?
2. Thomas is inclined to make Moore Rapid7's Chief Security Officer and to have him lead a team of engineers that would start at six, and likely grow from there. Thomas also seems likely to let Moore work from Austin, TX. What do you think of Thomas' plans for Moore? Does Moore's track record suggest he's likely to be successful in these conditions? If Moore joins Rapid7, is there anything Thomas should do to increase the chances he becomes an effective manager there?

**Class 10: How do entrepreneurs protect ideas?**
*Monday 2/26*

**Class Guest: Jeff Johnson**

One of the central challenges of entrepreneurs is to access resources (funding, people, etc.) while protecting one's idea. Too much disclosure can lead to rapid imitation, which can be disastrous. This lecture looks at the tools entrepreneurs use.

ARTICLE:
Gallini, Nancy T., 2002, The economics of patents: Lessons from recent U.S. patent reform, *Journal of Economic Perspectives*, 16: 2, 131-154.
NOTE: Intellectual Property and Strategy
BOOKS: Thiel book: pp. 93-106 (ch. 8).
Tamaseb book: pp. 153-173 (ch. 11, 12).

**Class 11: Entrepreneurial sales: Getting the first customers**
*Wednesday 2/28*
**Class Guests: John Kawola, CEO, Boston Micro Fabrication**
**Lou Shipley, Former CEO, Black Duck Software**

Getting customers is a critical part of entrepreneurial success. Many students believe there is a single formula for sales success. The answer, however, is more complex. This session will visit this challenging—but critical—area.

NOTES: Airbnb, Etsy, Uber: Acquiring the First Thousand Customers
What Entrepreneurs Get Wrong

We will undertake a panel discussion of these complex issues. Please come to class with your own questions about sales and customers.

**Class 12: What makes entrepreneurial teams successful?**
*Monday 3/4*
**Class guest: Brittany Yoon**

The characteristics of successful entrepreneurs and teams have attracted attention from economists, psychologists, and venture capitalists, among others. This session will focus on some of the key insights into the characteristics of entrepreneurs and the drivers of their success.

ARTICLE:
Wasserman, Noam, 2012, *The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup*, Princeton, Princeton University Press, chapters 1 and 2.
BOOKS: Thiel book: pp. 118-125; 173-189 (ch. 10, 14).
Gans, et al., chap. 7.

**Class 13: Poppy: A Modern Village for Childcare**
*Wednesday 3/6*
**Class guest: Avni Patel Thompson**
**THIS CASE IS THE FIRST WRITE-UP; DUE AT TIME OF CLASS**

In 2017, management at Poppy, which matched families that required occasional childcare with thoroughly vetted caregivers, was formulating plans for the Seattle-based seed-stage startup's next phase of expansion. One option was to grow using the same business model through geographic expansion to cities beyond Seattle. Another option was to deepen penetration within Seattle by recruiting caregivers with less experience and by broadening the range of services caregivers could provide, e.g., driving children to appointments.

CASE: Poppy

1. Assess Poppy's original business model? What was promising and problematic?
2. What should Thompson and her team have been doing differently to avoid or mitigate these problems?
3. Should Poppy continue to focus on building scale and launching new services in Seattle, or expand into new markets?

NOTE: We will also spend a few minutes on the final project.

<u>Module 2: Raising Capital</u>

**Class 14: Who provides money to entrepreneurs?**
*Monday 3/18*
**Class guest: Ali Partovi**

Angel investors and venture capitalists are somewhat shadowy players, which can make or break a new venture. This session will explore how these investments are structured and the strengths and weaknesses of the various options.

ARTICLES:
Gompers, Paul A., and Josh Lerner. 2001. The venture capital revolution, *Journal of Economic Perspectives*, 15:2, 145-168
Lerner, Josh, and Ramana Nanda. 2020. Venture capital's role in financing innovation: What we know and how much we still need to learn, *Journal of Economic Perspectives*, 34:3, 237-61.
BOOK: Thiel book: 82-92 (ch. 7).

**Class 15: First Aid Beauty**
*Wednesday 3/20*

First Aid Beauty (FAB) is a skincare brand started in 2008 by Lilli Gordon, an experienced financial and skincare entrepreneur. FAB found a white space in the prestigious beauty market by filling a need for high-end skin solutions that were non-irritating and suitable for sensitive and reactive skin types. FAB secured early distribution through Sephora, a specialty retailer of beauty and cosmetics, and QVC, the online shopping network, but soon there were bumps in the road.
FAB's growth began to slow down in 2012, prompting Sephora to challenge the company to either move the needle or lose distribution. CEO Lilli Gordon reacted quickly, raising another round to

fund an advertising campaign and at the same time, selling her house and buying a condo. The gamble paid off and soon, FAB sales were experiencing strong year-over-year growth. The company was doing well, but Gordon would need an extended line of credit to fund growth and was incredibly reliant on two customers. FAB's momentum in the U.S. markets sparked the attention of venture capital and private equity firms. Gordon went on a flurry of meetings and eventually received two term sheets to buy out shares of existing shareholders. Gordon had to decide whether the company should take one of the two term sheets, raise new money to fund the company's operations, or just continue to grow without new investors.

CASE: First Aid Beauty

1. Describe the First Aid Beauty business model – customer-value proposition, go to market, tech-ops, and unit economics. What are its strengths and its risks?
2. Does First Aid Beauty need to raise capital? What were the working capital requirements of the year just completed (March 2014 – March 2015)? Given the projections, will First Aid Beauty need outside sources of financing for business operations over the next several years? What are Lilli Gordon's options for funding any cash needs of the business?
3. Which term sheet, if any, should Lilli Gordon accept? Make a case for either Term Sheet A, Term Sheet B, or not taking any investor. What components of the deal give you concern and would require further negotiation?

**Class 16: DexAI**
*Monday 3/25*

After a long fundraising process, DexAI co-founders Betty Evermore and James Pond at last received term sheets from two well-known VC firms. The complications: while the economic terms were largely identical, the legal terms differed significantly. Moreover, Pond may have violated an agreement with his prior employer, which could affect or derail the negotiations with the VCs.

CASE: DexAI

1. Which of the two investors, Cypress or Feline, is a better fit for DexAI?
2. Why was the initial split of equity between the founders (described on page 3) so complex?
3. What are the key terms and conditions that Betty and James should be concerned about? What are the concerns on the part of the venture capitalists that motivated them to propose these provisions?
4. What is the significance of James' agreement with his prior employer? How might he has violated it? How should this be addressed?

**Class 17: Lovepop**
*Wednesday 3/27*

On May 11, 2015, less than three weeks before their graduation from HBS, Wombi Rose and John Wise sat in a Toyota Tundra pickup truck behind Boston's South Station, where their company, Lovepop, sold three-dimensional (3D) paper art cards at a small retail kiosk. After working feverishly for 16 months, bootstrapping operations with their own savings and a few loans, the founders had in late April attracted seed funding offers from two different investors. Now they faced a decision: which offer to accept? Seated side-by-side in the parked vehicle, the friends and business partners debated the merits of the two offers. One was from Techstars Boston, a start-up accelerator that would provide three months of mentoring, networking, and exposure to prominent investors. In return for that support and $18,000 in cash, Techstars wanted 6% equity. In addition, Techstars had indicated that Lovepop was also eligible for a $100,000 convertible note and that moreover, they would help the founders secure any additional funds they needed prior to an institutional round of funding. The second offer was from California incubator Founder.org, which had offered a $300,000 convertible note. Both investors wanted an answer by the next day. It was now 3 p.m.

CASE: Lovepop
NOTE: Convertible Notes in Seed Financings

1. Which of the two deals (or neither) should Rose and Wise accept? Why?
2. Why have entities like Techstars and YC emerged in the funding ecosystem? What role do they play compared to that played by traditional venture capital firms in the 1990s and today? For which entrepreneurs do they make most sense?

**Class 18: NextView**
*Monday 4/1*
**Class Guest: Rob Go**

David Beisel, Rob Go, and Lee Hower are non-partners at different-and-established venture capital (VC) firms. They decide to leave their positions to start a new seed-stage VC firm. The case covers the genesis of the firm, the formulation of its strategy and operations, and the founders' fundraising efforts. A key decision the case protagonists must make is whether to partner with two very successful entrepreneurs, who propose a merger with NextView. The two entrepreneurs are willing to invest up to $100 million personally and put NextView in business, but the expectation is that the firm will no longer be independent. NextView's fundraising process has taken much longer than expected, and so, the NextView team considers a critical decision: merge and lose control or stay independent and risk failure.

Case: NextView Ventures

1. Why do the NextView founders find raising their first fund so hard? Does this reflect their own problems or that of the market?
2. What are the key disagreements between the partners about the fund structure? How should they resolve them?
3. Should they take the funding offered as part of “Project Pegasus”?

**Class 19: Pear.vc**
*Wednesday 4/3*
**Class Guest: Keith Bender**
**THIS CASE IS THE SECOND WRITE-UP; DUE AT TIME OF CLASS**

On a Sunday morning in June 2021, Keith Bender brewed coffee and brought a mug into his home office. The Pear team met to review their investment pipeline every Monday morning, and investors emailed interesting start-up ideas to each other by 5 pm every Sunday. As Bender re-read through that week's many emails and pitch decks, he narrowed down his list to three companies. Conscious of consuming too much airtime at the Pear Monday meetings, he recommended one business plan each week. So, he wanted to narrow his list to a single finalist. But which one? Choosing was particularly challenging that Sunday

CASE: Pear Venture Capital

1. Which business plan should Keith recommend?

**Class 20: Drift**
*Monday 4/8*

David Cancel and Elias Torres, the co-founders of Drift, scaled their business to thousands of users and hundreds of thousands in revenue. However, they were falling short of the annual revenue target they communicated to the board of directors. Having scaled the business to date with a team of largely product and engineering resources, they contemplated bringing on their first sales hire. Within one week of announcing the plan for the hire, three promising candidates surfaced. Was it time for the team to bring on a salesperson and, if so, which candidate was ideal?

CASE: Drift: The First Sales Hire

1. Should Drift bring on a salesperson?
2. If they were to bring on a salesperson, what criteria should the founders assess candidates on during the interview process? How should they conduct the interviews? How many steps are in the process? Who is involved in each step? What questions are asked at each step?
3. Should Drift assess the candidates on "cultural fit"? If so, how should they make this assessment?
4. Should the co-founders hire one of the three candidates or stay with Bilotti? Explain your decision.

<u>Module 3: Scaling Up</u>

**Class 21: Mark43**
*Wednesday 4/10*
**Guest: Scott Crouch**

Scott Crouch and the team at Mark43 had barely finished rolling out their new police records management system in Washington, D.C. in late summer 2015, when the prospect of an even bigger customer surfaced: the Los Angeles Police Department. A Request for Proposal for a new "RMS" in L.A. would hit the street soon, and for whatever firm won it, it would mean major credibility and major cash. For Mark43, the startup that Crouch had co-founded with his classmates at Harvard in 2012, those were two assets they could leverage, as they looked to expand rapidly in the policing space and then, more broadly. But what else would going after the L.A. deal entail? Did Mark43 have the resources it took to bid, and to win? And if they did, how would L.A.'s requirements impact Mark43's aim to build a scalable solution they could sell worldwide?

CASE: Mark43

1. What were the attributes of an ideal first customer for Mark43? How well did the Washington DC Metropolitan Police Department fit that profile?
2. In Nov. 2015 as the case ends, what criteria should Mark43 use to prioritize leads? How well does LAPD fit those criteria?
3. Should Mark43 bid on LAPD RFP? Does your answer depend on whether BigFour is willing to partner with Mark43?
4. What sales and marketing capabilities should Mark43 be building at this stage? What background would you recommend for sales reps? Should Mark43 hire a sales leader now? If so, what background should this individual have?

**Class 22: Scaling Nextdoor**
*Monday 4/15*
**Guest: Sarah Leary**
**THIS CASE IS THE THIRD WRITE-UP; DUE AT TIME OF CLASS**

Nextdoor, striving to solidify its position as the leading global social media platform for neighborhoods, worked to scale audience, geography, and revenue. No social platform had succeeded in unlocking the full potential of a local social network, not to mention their commercial value. Nextdoor, the founders felt, was poised to do exactly that. It had already massively scaled its audiences across U.S. neighborhoods. Success would be crucial to justifying Nextdoor's unicorn valuation, No social platform had succeeded in unlocking the full potential of a local social network, not to mention their commercial value. Nextdoor, they felt, was poised to do exactly that. It had already massively scaled its audiences across U.S. neighborhoods. Now the goal was to scale geography, engagement, and monetization. Success would be crucial to justifying Nextdoor's unicorn valuation, and to the founders' objective to build a preeminent online local platform committed to creating positive social change and long-term value. and to the founders' objective to build a preeminent online local platform committed to creating positive social change and long-term value.

CASE: Scaling Nextdoor

1. What has been the strategy of Nextdoor to date? What has and has not worked?
2. What "proof points" would VCs need to see for them to invest again in the company?
3. Where should Nextdoor prioritize its scaling efforts?

<u>Module 4: Issues in Entrepreneurship</u>

**Class 23: In-Q-Tel**
*Wednesday 4/17*
**Guest: James Lim**
**1-2 PARAGRAPH PAPER PROSAL DUE**

In 2022, Chris Darby, CEO of In-Q-Tel (IQT), considered what was next for his organization. In the wake of its considerable successes, demand on IQT to play additional roles had increased substantially, raising several questions in Darby's mind about the future of the organization. Central to his concerns was establishing the right level of complexity and risk for the organization. IQT was a private nonprofit with government funding. It had one mission since 1999: to be the most sophisticated source of strategic technical knowledge and capabilities to the U.S. government and its allies. IQT played a unique dual role for the national security community: to both inform the Intelligence Community (IC) with technology insights and to deliver cutting-edge capabilities. Its technical team identified sectors of interest, followed by investment professionals engaging with companies that had promising applications for the U.S. government. Darby had several questions to consider. What was the right scope and complexity for the organization? What was the appropriate portfolio risk? Lastly, how could the organization recruit the right talent to accommodate this growth?

CASE: In-Q-Tel: Innovation on a Mission
ARTICLES:
Bloom, Nicholas, John Van Reenen, and Heidi Williams, 2019, A toolkit of policies to promote innovation, *Journal of Economic Perspectives*, 33(3): 163-84.
Lerner, Josh, 2022, Government incentives for entrepreneurship, in *Innovation and Public Policy*, edited by Austan Goolsbee and Benjamin Jones, Chicago, University of Chicago Press.

1. How critical is IQT to fulfilling the needs of the Intelligence Community? What market failure justifies its existence, and what gap can it fill?
2. What are the specific design choices that Darby and his team members have made in growing the organization? Please critique their effectiveness.
3. What does success mean for IQT, and how can it measure it? How do IQT's metrics for success inform the level of risk it can be willing to take?
4. The demands on IQT continue to grow. Should it expand its activities? What changes might it make to address the growing complexity of its mission? Should other parts of the government replicate the IQT model?

**Class 24: Khan Academy**
*Monday 4/22*

Khan Academy, an education non-profit, has decided to launch Khanmigo, a GPT-based personal tutor to accelerate learning. Khanmigo will be available to learners to ask questions, engage in Socratic method dialogues, and offer suggestions to help learners achieve greater understanding. But the new launch poses challenges, not just for the new initiative, but for the non-profit as a whole.

CASE: Khanmingo (case not in course package, but posted on Canvas)

1. What are the major opportunities and risks that generative AI poses for Khan Academy's traditional business model?
2. A major challenge for Khan Academy and the Khanmigo team is the go to market strategy. Who decides whether to use Khanmigo? How can Khanmigo gain traction with learners, parents, teachers, and districts? How should they prioritize decision makers and markets?
3. We have highlighted the challenges with scaling entrepreneurial ventures. How effectively has Sal made his decisions about scaling the venture?
4. Khan Academy operates as non-profit. The organization has almost 200 employees with an annual budget over $60 million, most of which is provided by philanthropists. To develop and introduce Khanmigo, Khan Academy will need to hire numerous experts and support potentially millions of individual users and teachers around the world. Can they get access to the human and financial resources they will need to succeed as a non-profit venture?

**Class 25: Student presentations of projects**
*Wednesday 4/24*
**FINAL REFLECTION DUE BY 4 AM ON THE DAY OF CLASS**

Five presentations of projects-in-progress, with some final words by Josh, based on the wrap-up reflections you send along.