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Educating Entrepreneurs: A Realistic Approach in a Complex World

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Entrepreneurship has become an interesting subject of discussion. Entrepreneurs (and their process of innovating new venture creation, which is entrepreneurship) are in high demand. This demand is not only to create the next 'gotta have techno gadget', but also to help resolve issues of organisational inefficiencies, facilitate the resolution of national inequalities and address global concerns including those affecting our physical planet, social connectedness and economic vitality. This description suggests that the innovator who mines away in a garage somewhere to emerge months or even years later with fresh technology for production, is nothing more than a stereotype of the past. The complexity of the world today modifies this previously held image; nowadays, the entrepreneur can be anyone with an idea that can address today's problems and has the courage to act.

As the needs of the world have changed, so too have educational institutions. In the United States alone, the growth of entrepreneurial courses has jumped from less than 500 in 1985 to more than 5,000 today. In addition to courses and curriculum, learning centres have been created as part of universities around the globe. (NUS, for example, has an Entrepreneurship Centre that offers experiential education, development, research and support through an Enterprise Incubator Ecosystem).

Educating Entrepreneurs

While entrepreneurship is recognised as an essential part of university curricula, there is little consensus on how to teach new venture creation. However, there is one constant between most MBA and undergraduate entrepreneurship experiences—the business plan. Yet there is more to entrepreneurship than formulating the business plan.

William Bygrave, an entrepreneurship professor at Babson College in Wellesley, Massachusetts, compared the success of alumni new business ventures. He found out that some ventures had formal business plans while others did not (Bygrave, 2005). He also concluded that there was no statistical difference in the success rate. More importantly, he noticed that nimbleness, understanding customer needs and the ability to connect with stakeholders to tell the (corporate or product) story were compelling factors that led to successful ventures. Having been involved with new venture creation and start-up companies, our experiences are consistent with Bygrave's findings. The details of business plans are important, but not so important as to neglect creating a vision and story about the product or company. Guy Kawasaki, one of the founders of Apple Computers, shares this sentiment. He concluded that the business plan is a side note to the business (Kawasaki, 2004). He added that the only time a detailed plan is required is when institutional investors or business angels (i.e. venture capitalists (VCs) and funding institutions) need the plan for due diligence processing prior to investing money in the idea. Even then, the plan comes after the initial pitch to the VCs.

So, while the business case is important, it should not be the focus in the classroom. As educators, sometimes we focus on an efficient way to assess and grade, and an easy way to compartmentalise the teaching. This is often, however, not grounded in reality and therefore offers little practical application for students. The business plan is less than 2% of the business start-up experience, yet in most MBA classes it comprises 75% of the final grade. Why? Because it is easy to do so.

From the experience of starting and selling companies to teaching MBA students entrepreneurship in the course "Creativity, Innovation and Entrepreneurship", the emphasis on the business plan was modified in our classroom. This article details a realistic approach to educating entrepreneurs.

Vet, Pitch, (then) Do

The MBA students we encounter have seven weeks to understand entrepreneurship, creativity and innovation. Prior to our involvement, the course was like many that focussed on detailing a business plan, which was usually a very long document supplemented with an equally long presentation. The weekly class meetings addressed different elements of a business plan (e.g. financials, marketing, operations). Yet the results at the end of the seven weeks did not meet the desired outcome of having a viable product solution or new venture. Something needed to be changed. Hence the class was modified in the following manner:

Week 1—Vetting the Idea and Making Meaning

The first session is spent generating ideas. Most of our MBA students have been thinking about business ideas for years. We encourage them to think big and to 'make meaning'. When asking them to create a solution or even a company that will 'make meaning', we refer to Guy Kawasaki's *The Art of the Start* (2004), which is the unofficial text for the class. The outcome for this first week is for students to create a two- to three-word 'make meaning' mantra for their business. The importance of the mantra is that it is easy to remember and motivates people to get involved with a company that provides meaning and makes a difference.

Week 2—Prototype Development or Making What Matters

The second week focussed on product development, where the development is the basis of telling the story. Students spend time developing pictures, designs and products, whatever it takes to put a formal face to their product/service/solution. However, this is often the stage where entrepreneurs fail to move forward. We tackled this by putting a time limit on this work (one week), which forces entrepreneurs (students) to document something tangible. The outcomes here vary and there are usually drawings, sculptures, flowcharts, mindmaps and other mock-ups. The key to Week Two is producing an artifact which can tell a story about the solution.

We remind students to think big at this stage, using Kawasaki's words to facilitate the class:

> When you create a product or service…people love…don't be surprised when others hate you. Your goal is to catalyze passion—pro or anti. Don't be offended if people take issue with what you have done; the only result that should offend (or scare) you is lack of interest. (Kawasaki, 2004, pp. 11)

Week 3 and 4—Analysing/Testing the Market and Making Changes as Needed

Week Three is spent helping students determine how to analyse their market and test their product idea relative to the market. The artifact created in Week Two allows students to 'show-and-tell' their idea, which provides immediate feedback. The processes during these two weeks involve applied market research and competitive market analysis, all of which is done with little or no capital. Bootstrap funding defines their budget.

The results of the market analysis take until Week Four to complete and are discussed at that time. The professor facilitates the discussion and uses students to help model other market data opportunities. As a group and class, we discuss what can be done to change the market approach based on market information. Students often decide to change product components, markets and packaging during these two weeks.

Week 5—Meeting the Board and Mentors

With the story created and the market understood, it is time to meet the Board. Week Five includes a group meeting with the student business team and the professor. The team is responsible for making an investor pitch using a ten-piece PowerPoint slide set that should last no more than 20 minutes (including time for question and answers). This pitch is viewed as a preliminary and informal board meeting prior to presenting their idea to a panel of VCs for funding (in Week Six). The team decides on the presenter(s) and tone, but each set of slides is modelled on Kawasaki's approach, who suggests using only ten slides for the presentation (refer to Figure 1 for descriptions of each slide).

Slide	Description
Title Page	Organization name; your name and title and contact information
Problem	Describe the pain that you're alleviating. The goal is to bet everyone nodding and "buying in."
Solution	Explain how you alleviate this pain and the meaning that you make. Ensure that the audience clearly understands that you sell and your value proposition.
Business Model	Explain how you make money; who pays you, your channels of distribution, and your gross margins
Underlying Magic	Describe the technology, secret sauce, or magic behind your product or service
Marketing and Sales	Explain how you are going to reach your customer and your marketing leverage points.
Competition	Provide a complete view of the competitive landscape. Too much is better than too little.
Management Team	Describe the Key players of your management team, board of directors, and board of advisors and as well as your major investors.
Financial projections and Key Metrics	Provide a five-year forecast containing not only dollars but also key metrics, such as number of customers and conversion rates.
Current Status (Accomplishments, Timelines, Use of Funds)	Explained the current status of your product of service, what the near future looks like and how you'll use the money you're trying to raise.

Figure 1. Description of each presentation slide (Kawasaki, 2004)

Week 6—Presentation to Venture Panel

The VCs and 'angel investors' from the area (in our case, Portland, Oregon) are invited to serve as panelists for the student pitch. As in the previous week, students decide on the presenter and tone, and have no more than 20 minutes to make their pitch. The panelists listen to the presentations and provide candid feedback regarding the feasability of funding the idea. Additionally, each panelist details to each group improvements they can make to enhance their financials, markets, plan and story. Students collect the feedback and integrate it into their final plan for Week Seven.

Week 7—Write and Deliver the Business Plan with a Debrief

Unlike most classes, the business plan is addressed in the last week. The plan is graded on how well the team integrated the feedback from the panel. The focus of the last night, however, is not on the plan but students' experiences over the seven weeks. A facilitated discussion opens the dialogue on how people felt. We discuss their experiences and feelings through the process. Did they feel more or less passionate about their product, service or project? Will they be more or less likely to implement their idea? What do they know about themselves, and being able to modify course, would they hire the right people, sell others on an idea, raise capital and learn from rejection? As such, the last class is a session for self-reflection. We also discuss the question that preoccupies students: When do you make the transition from an entrepreneurial-driven firm to a professionally managed company? When does the bootstrapping end?

Conclusion—Assessment of the Outcomes

Entrepreneurship is critical for our world. As professors, we must constantly assess the effectiveness of course activities to ensure students have skills and abilities rather than simply theoretical knowledge. This is especially true when educating entrepreneurs. We have used this new approach to entrepreneurship with three cohorts of students and have received positive responses from both students and panelists. As a reflection of its effectiveness, the course has also seen four successful business launches. Students complete the course feeling empowered to launch solutions that address the needs of the world.

References

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