

The Entrepreneur

Newsletter of the Center for Entrepreneurial Studies

Summer 2006-2007

Entrepreneurship class generates profits to endow scholarship

A first-time undergraduate course challenged 25 seniors to conceive, launch, and operate two businesses. In the end, it also taught them to give back. The Entrepreneurship in Action course launched two businesses, which generated more than \$80,000 in revenue in three months of operations. The students used their profits to endow a \$50,000 scholarship for future Carlson School students interested in entrepreneurship.

The course was a capstone for entrepreneurial studies students and a means to apply their education at the Carlson School. Faculty from across the school advised students on everything from supply chain to market research to organizational behavior. "It was entirely student-led," noted instructor Frank Beil. "The students decided which businesses to launch, elected officers, and made every decision." The students worked with attorneys to draft their formation documents, arranged a line of credit with a local bank, consulted with an outside CPA firm, reported to an external board of directors, and even wrote performance reviews for fellow students. "It's amazing how much we learned from a single course," commented senior and CFO Adrian Dykstra. "It was challenging, fun, and very real."



Entrepreneurship in Action students present a check to Dean James Campbell to endow a \$50,000 student scholarship.

USuits, LLC

The students applied their familiarity with the college market for iPod accessories to manufacture and distribute the first collegiate-branded iPod covers. After finding that for every \$3 in iPod sales, an additional \$1 was spent on accessories, the students knew they were onto a growing market. Through focus groups, competitor analysis, and negotiations with international vendors, the students discovered they could charge \$20 for a \$2 piece of plastic. "By focusing on the two newest iPod models, we were able to develop a unique product for a growing market with great margins," said CEO Reed Robinson.

Launched in January, the business achieved profitability in less than two months and

expanded to sell iPod covers with the logos of the University of Wisconsin and Michigan State. The student management team successfully managed negotiations with multiple vendors in China, developed relationships with local and mass retailers, sold the product directly via its website while continuously revising the product and the website, as well as developing creative and cost-effective promotions. While operations were curtailed at the end of the semester, the product is currently under review with a local rep firm.



U-Guide, LLC

Ten students teamed up to create the *U-Guide: Your Roadmap to College Life*, an advertising-supported booklet distributed to 7,000 University dorm rooms this summer.

Armed with nothing more than a concept, the students identified 225 target businesses, completed internally developed sales training sessions, and canvassed local merchants. On-line feedback identified initial reasons for rejection and requirements for additional training. "Our weekly reporting tracked the number of businesses per rep, geographic territory, and customer segment. We immediately knew when to shift sales resources or conduct additional training," stated Joe Collins, VP-sales. The students sold more than \$70,000 in ads for the first edition and completed the initial printing ahead of schedule and under budget.

Since the end of the semester, the U-Guide management team has purchased the company and will continue to donate a portion of the revenues to the Carlson School's entrepreneurial program. They plan to develop a franchise model at other universities, where they can arrange with student-owners for advertising sales in a booklet designed and printed in Minneapolis.

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Innovations in Education

New product design and business development

A bridge between education and the corporate world of technology management and product design

The Carlson School prides itself on transforming its students into the next generation of leaders. One reason why the school can make that claim is by developing innovative programs.

In the case of product development, what does it mean to say that our students are the next generation of leaders? Can they see the future and develop the creative vision to achieve short and long term goals? Can they develop cross-platform business strategies and act on them? Can they lead a group with divergent skills and backgrounds or work with science or engineering specialists? In so many words, can they manage technology?

These are key issues for technology businesses in creating value for their customers and shareholders, and they are exactly the issues emphasized by the New Product Design and Business Development class (NPDBD).

Technology management is beyond the scope of most business curricula. Too frequently engineering and science are viewed as being in separate universes from business management. But NPDBD has successfully bridged these universes and is one of only a few programs in the United States to have done so.

NPDBD teaches innovative technology management by placing students into projects requiring cross-functional teamwork for corporations developing new products for their markets.

Students enter the class from technical and scientific colleges at the University, including the medical school, engineering, IT, and biomedical engineering. They are teamed with management students from the Carlson School and sponsor companies recruited for their desire to develop new technology-based products for new markets. Once the companies and projects

are lined up, students rank their preferences for the projects—self-selecting for teams that operate like consulting teams. With the help of faculty advisors from the participating colleges and corporate mentors from the partner companies, the students are challenged to design and produce prototype products to address the needs of target markets, including the research to identify needs and user preferences for those markets.

The students participate in all steps necessary to

produce a viable product and quickly learn the difference between a plan on paper and the reality of the rapidly evolving technical product market. Ultimately, project success is measured by the potential value and acceptance in the target markets.

NPDBD is a winning situation for all. The partner companies keep the intellectual property and gain access to the University's brightest students and facilities. The students work with leading companies on cross-disciplinary teams managing technology for real-world products, and the University develops long-term relationships with partner companies providing groundwork for future collaborations. Finally, the program builds bridges between the Carlson School and the technical and scientific colleges at the University of Minnesota.

During its 12 year existence, NPDBD has completed over 50 projects, successfully placed several products on the market, and received many patents. This year NPDBD completed the following projects:

Medtronic: A new and easier-to-use accessory for the placing of cardiac leads for the treatment of heart disease.

Pando: A fitness meter for recreational walkers in the 24 to 50-year-old range.

St. Jude: A revolutionary vascular device for improved location of the femoral artery.

Softscope: A new technique for visualizing the gastrointestinal tract.

BioMedical Engineering Institute, U of M (BMEI): A device that eliminates the possibility of incorrect blood transfusion.

For more information on the New Product Design and Business Development class, contact Will Durfee at 612-625-0099, wkdurfee@umn.edu, or Carl Adams at 612-625-3542, cadams@csom.umn.edu.

"This year's project to develop a new fitness meter has been a challenging one for the students in terms of marketing research, technology specifications, and cross-functional group dynamics. The students took each challenge head-on and delivered great work."

—Louis Bavaro, Pando Technologies



The Pando team with professor Will Durfee, Mechanical Engineering (right)

How good are the boards of new ventures? It depends...

Research highlights from Dan Forbes, Assistant Professor, Strategic Management and Organization

Recent research encourages a move away from the view of boards of directors as “guard dogs” on the lookout for managerial misbehavior. While part of a board’s role is to monitor management, boards also have two other critically important roles: providing advice and counsel to management and serving as liaisons between the firm and its external environment.

These roles are especially important in new ventures. Understanding what makes boards effective requires us to think not only about whose interests get represented, but also about how boards can best assemble the knowledge and skills the venture needs and how they can interact in ways that use this knowledge and skill most effectively.

Historically, studies of corporate governance focused on the monitoring role of boards. Many looked at whether firms perform better when they have larger proportions of “outsiders,” or when the firm split the chair and CEO positions. Reviews of these studies concluded that there are almost no reliable relationships between these variables and performance. Instead, there are indications that assembling and exploiting the right set of talent is more important.

One research project underway at the Carlson School finds that in the early stages of the company formation process, many entrepreneurs ask for input primarily from people who are readily accessible to them—people whose backgrounds and experience are similar to their own. For example, technical professionals talk mostly with other technical people about their ideas. This is understandable, but probably not ideal. Likewise, the lawyer who lives next door may be a terrific person, but may not know enough about the law relevant to launching a venture. Entrepreneurs need to make efforts to seek quality advice from those with a diverse array of professional experience and make sure that they possess the specialized knowledge required by their specific venture. Asking for help in assembling the right team is often a good first step.

In the final analysis, a board is a group of people. We know a lot about how groups of people work together. Research tells us that groups can be more or less effective depending on how they interact and suggests that assembled talent is most effectively utilized when:

- ▶ the group has strong norms regarding effort, honesty, and diligence
- ▶ members agree upon operating procedures
- ▶ members have knowledge of and respect for each others’ skills and experience
- ▶ members express substantive disagreements without letting things turn personal

On this last front, having a structured technique, such as a devil’s advocate, can help to generate the kinds of constructive conflict that can head off unpleasant surprises for the firm.

Center for Entrepreneurial Studies achievements—presentations, papers, and awards

April: The Carlson School held the Ethics & Entrepreneurship Conference under the guidance of Norm Bowie, Harry Sapienza, and Jared Harris. Andy Van de Ven was a panelist for the Innovation Institute Workshop at Thomson University West Education Group in Eagen, Minnesota.

May: Andy Van de Ven presented the keynote address at the European Academy of Management conference in Oslo, Norway. Harry Sapienza co-directed the International Entrepreneurship Workshop in Atlanta, where Shaker Zahra and Sri Zaheer were invited speakers. Jaume Villanueva and Harry presented a paper at the Venture Capital Policy Forum in Lund, Sweden.

June: Carla Pavone, Jaume Villanueva, Pat Borchert, and Harry Sapienza presented papers at the Babson College Entrepreneurship Research Conference in Indiana. Carla presented a paper from her dissertation work on re-investment decisions, and she and Jaume presented a paper on women entrepreneurs. At the Academy of International Business in Beijing, China, Shaker Zahra and Isil Yauz presented a paper on the learning advantages of entrepreneurial firms.

August: At the Academy of Management in Atlanta, Dan Forbes, Mary Zellmer-Bruhn, and Harry Sapienza will present work from their NSF grant on university-based start-ups, and Andy Van de Ven will present a paper on the disconnect between theory and practice in the management of innovation.

Awards & Publications: Carla Pavone received fellowships from the University of Minnesota Graduate School and from the Carlson School to work on her dissertation. Dan Forbes and Carla Pavone’s teaching case, “Razorfish” will appear in the July issue of *Entrepreneurship Theory & Practice*. Harry Sapienza and Shaker Zahra’s co-authored paper on internationalization of young firms and Andy Van de Ven’s paper on collective action and innovation will appear in the *Academy of Management Review*.

Entrepreneurial Forum Launch

The Center for Entrepreneurial Studies and a group of alumni joined forces this year to launch a new forum for encouraging and assisting local entrepreneurs. The Entrepreneurial Forum hosted three standing-room-only events at the Carlson School this year and has signed up over 100 members.



Tom Gegax

cles, and other materials on the subject matter. The Forum also differentiates itself by assisting its members in getting their ventures off the ground through periodic working sessions with two or three entrepreneurs and a diverse range of Forum members. Quarterly Forum events will resume in Fall 2006, covering topics ranging from building a management team, creating a virtual corporation, and succession planning.

"This group is unique in offering content-rich sessions with great speakers focusing on the burning issues for emerging entrepreneurs," noted the Forum president, Sam Rosen, '01 BSB. During its first year, the Forum was fortunate to have Tom Gegax, Pat Hopf, and Esperanza Guerrero-Andersen as keynote speakers. These business luminaries joined forces with entrepreneurs, investors, advisors, and Carlson faculty to discuss the theoretical and practical issues of building a winning culture, forming a board of advisors, and financing a start-up venture.

"It's much more than another speaker or panel series," noted CES professional director John Stavig. "We're committed to providing leading-edge educational materials and providing networking and advisory opportunities for the local entrepreneurial community." The Forum provides its members with books, arti-



Above, Keith Harrison

Below, One of the Forum panels with Sam Rosen, Pat Hopf, Dan Forbes, Susan Boren, Doug Holod, and Mark DeNaray (from left)

Those interested in joining the Forum for next year's presentations should contact John Stavig at 612-625-2485 or jstavig@csom.umn.edu.

Interns explore entrepreneurial environment

The Center for Entrepreneurial Studies launched a new student entrepreneur program this year, subsidizing 10 undergraduate students to work part-time in early-stage businesses. Projects ranged from researching expansion into Mexico for a communications provider, to primary market research for a consumer cleaning product, to analyzing private equity investments. "It's challenging to analyze an important real-world decision," noted senior entrepreneurship student Joe Collins, "but, at the same time, rewarding to discuss the findings and recommendations with top executives." In addition to applying their entrepreneurial coursework, the objective is to let the students determine if they have the interest and ability to work in an early-stage entrepreneurial environment. Kevin Carlow, a junior in the program added, "I have already learned to be comfortable and enjoy the entrepreneurial work experience, and I'm also developing my sales skills by leaps and bounds."

If you know of an early-stage company with a potential interest in participating, please contact John Stavig at 612-625-2485 or jstavig@csom.umn.edu.

Innovations in Education

Teacher of the year

Dileep Rao with entrepreneurship and venture financing

The old adage that goes, “those that can, do, and those that can’t, teach,” does not apply at the Carlson School and Dileep Rao is a perfect example of why. His extraordinary background illustrates why the Carlson School part-time MBA students voted him teacher of the year.

Dileep worked as a vice president of a development finance institution financing over 450 businesses with more than \$40 million of equity capital. He raised millions of dollars from private and public financial institutions. He started four businesses and managed five business turn-arounds – four successfully. He continues his career as a consultant to federal and local governments, to ventures, and to regional venture development groups.

Dileep has written several books and has developed web-based tools to help entrepreneurs find the right financing for their ventures without expensive advisors (infinancing.com). With a Ph.D. in Business Administration from the University of Minnesota and two engineering degrees, one from Bombay University and one from the U of M, Dileep’s unique combination of management and entrepreneurial skills, and his practical knowledge enable him to lead a broad range of entrepreneurship courses in the Carlson School’s MBA programs.

Dileep’s career as a financier started as a result of bad timing. He graduated during a serious recession, and the only job he could find was with a financial institution. He soon discovered that he loved seeing the results of his investment actions and the success of the growing companies and jobs they produced.

One reason Dileep was voted teacher of the year may also be due to his philosophy and approach, which are based on an appreciation of the sacrifices made by students who juggle family, work, and financial obligations to pursue their passion. Dileep has a strong belief that real experience is a great teacher. This guides him to structure his classes around students analyzing their own startup business ideas—some of which the students actually pursue. Dileep shares his own experiences and also invites entrepreneurs and financiers of national stature to share their real-life start-up experiences with his classes. One example is frequent speaker Bob Kierlin, who has taken his company, Fastenal, from start-up to a \$1.6 billion dollar company. As Dileep says, “successful entrepreneurs with high values—like Bob—can light a fire in students and give them the confidence to pursue their goals.” His students appear to believe that too.



Entrepreneurial idol contest



Student entrepreneurs pitch their business ideas

On-campus bike rentals, GPS-enabled sunglasses for joggers, custom-designed women’s formal wear, humorous Islam-themed T-shirts? These are just of a few of the new business ideas pitched by student entrepreneurs in the inaugural Entrepreneur Idol contest this spring. Undergraduate students had 90 seconds to pitch their idea for a new business to a group of local investor and business advisors. Tim Felkner won the \$500 first prize with his pitch for a quick-serve, health-conscious restaurant. “It’s a fun way for us to encourage students to take the next step in developing their ventures,” noted Center for Entrepreneurial Studies professional director John Stavig. Students from four colleges across campus participated in the inaugural event, which will be held each semester.

Center for Entrepreneurial Studies

Carlson School of Management
University of Minnesota

321 Nineteenth Avenue South, Suite 3-306
Minneapolis, Minnesota 55455-9940

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First Ruvelson RAIN Maker Fellow

In honor of Alan "Buddy" Ruvelson,
the "grandfather of modern venture capital industry"



Philip Thompson, currently a junior at the Carlson School, was selected from a pool of applicants from three states. He began his fellowship in June and will work throughout the year with RAIN Source Capital.

"The approaches of both Mr. Ruvelson and RAIN Source Capital are about helping to make a difference—certainly in the lives of entrepreneurs who are trying to grow their companies, but also for communities that want to offer better jobs, and for the economy as a whole," said Thompson.

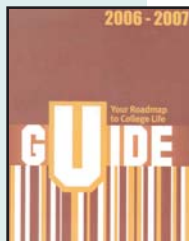
Events and Applause

Special thanks to the business community for their help with the Entrepreneurship in Action course:

- Roy Wetterstrom, BRIOPrint
- Dan Mallin, SDWA Ventures
- Joy Lindsay, StarTec Ventures
- Doug Ramler, Gray Plant Mooty
- Pat Shriver, RiderBennet
- Todd Williams, Fidelity Bank
- Jeff Meek, John A. Knutson & Co
- Keith Harrison, Compass Marketing
- Sam Rosen, TwoRivers
- Shane Schmidt, YellowBook
- Mike Northrop, Starr Limited
- Ric Cox, Cox Insurance

And from the Carlson School's marketing program:

- Mark Bergen, professor
- Wayne Mueller, lecturer
- Tim Novitski, lecturer
- Mary Zellmer-Bruhn, assistant professor
- Seth Werner, lecturer



The 2006
**Minnesota Cup
Competition**

September 7, 2006
McNamara Center
6:00 p.m.



The 2006 Minnesota Cup will hold its annual awards celebration on September 7, 2006, 6:00 p.m. at the McNamara Center on the University of Minnesota campus.

More than 600 entries were narrowed to 30 semi-finalists in June, with these entrants provided research and advisory assistance to further develop their business plans.

The Center for Entrepreneurial Studies is proud to sponsor this competition as a means to assist local entrepreneurs and position the University of Minnesota as the center of business innovation in Minnesota.