

The Entrepreneur

Newsletter of the Gary S. Holmes Center for Entrepreneurship

Winter 2007

CARLSON
SCHOOL OF MANAGEMENT
UNIVERSITY OF MINNESOTA

The Gary S. Holmes Center for Entrepreneurship

The Carlson School announced a gift of \$6 million for the continuation and growth of the school's entrepreneurship teaching, research, and outreach programs. The gift was given by Gary Holmes, president and founder of CSM Corp., who was named Minnesota Entrepreneur of the Year in September by the University of Minnesota. The Carlson School renamed the Center for Entrepreneurial Studies the Gary S. Holmes Center for Entrepreneurship.

"The future vitality of our state and our country is dependent upon innovative entrepreneurs who will grow the economy," said Alison Davis-Blake, dean of the Carlson School of Management. "Gary is clearly recognized as a leader in our community, a gifted businessman, and a driver of change. We couldn't be more pleased that our center for entrepreneurship will bear his name and that he chose to kick-off our fundraising with this very generous gift."

Holmes' \$6 million gift is a part of the Carlson School's effort to secure a \$9 million endowment so that the center can accomplish the following educational objectives:



Dean Alison Davis-Blake and Gary S. Holmes

Teaching: Continue and expand the existing experiential courses, target cross-campus education, and further develop courses and faculty.

Research: Fund academic research and host leading academic conferences on entrepreneurship.

Outreach: Continue and expand a broad range of programs for internships, mentoring, student competitions, student clubs, alumni groups, resources for entrepreneurs, and advising/grants for student-owned businesses.

"It is imperative that we invest in developing the next generation of entrepreneurs," said Holmes, who frequently speaks to MBA classes and helps develop the school's entrepreneurship programs. "The Carlson School can play a lead role in improving the entrepreneurial business community in Minnesota."

The Holmes Center will build upon the legendary leadership of entrepreneurs Curt Carlson and Bob Buuck. Both of these alumni endowed faculty chairs in entrepreneurship to advance research in this emerging discipline, with Buuck providing additional seed funding and leadership during the initial development of the center. The center will lead the development and implementation of innovative entrepreneurship courses, and it will drive outreach activities such as the Minnesota Cup, a state-wide business plan competition; the Entrepreneurial Forum, a speaker and panel series for alumni and the business community; and the 3M Seminars on Technology Commercialization for graduate and doctoral students in technology and sciences at the University of Minnesota. The center will also expand its engagement with the entrepreneurial business community through mentorships, internships, and programs that advise and guide students on planning and operating their own business ventures.

Holmes has a natural understanding of entrepreneurship. At age 12 he began by selling light bulbs in southwest Minneapolis, recruiting fellow boy scouts as salesmen. With his earnings he acquired his first set of duplexes at age 14. As his interest in real estate grew, Holmes founded CSM Corporation. He developed CSM into one of the largest owner-operators of real estate in the nation, with hotels, townhomes, apartments, commercial, and industrial properties across the United States. Holmes is also extremely active in the community, serving on boards for the Minneapolis Heart Institute, Abbott Northwestern, Allina Hospitals, and UST Law School, as well as being involved in numerous charitable organizations. Holmes is a 2005 recipient of the University of Minnesota Outstanding Achievement Award.

Innovations in Research

Effects of early internationalization on new firm survival and growth By Peter Rich, Center for Integrative Leadership

As the world economy globalizes, operating internationally is increasingly important. Many young firms face the decision to internationalize earlier than ever before. When and how they undertake this transition can make or break the fledgling firm.

Foreign markets are alluring but risky. New companies are strapped for cash and lack standard protocols. Internationalization can be a perilous adventure, but for those with tenacity there are great rewards. So how can new firms navigate an international jungle and stay safely out of harm's way?

Recent research sheds light on this process. Harry Sapienza and Shaker Zahra, professors at the Carlson School, along with Erkko Autio (HEC Laussane, Switzerland) and Gerard George (University of Wisconsin, Madison) discussed this phenomenon in a paper, "A Capabilities Perspective on the Effects of Early Internationalization on Firm Survival and Growth," published in the journal *Academy of Management Review*. The paper is the first to focus on how the strategic choice to undertake early internationalization may affect a young firm's prospects for survival and growth.

Internationalization requires the development and deployment of new skills and procedures necessary to adapt to new markets. These adaptations require resources, which may strain young organizations. The investments necessary to create new routines and establish positional advantages are expensive and considerably increase the cost of foreign entry. Such cost may overwhelm a young firm and cause its demise. However, if a young firm survives the strains of internationalization, it can realize new growth and gain exposure to greater opportunities. The experience helps firms learn how to grow and adapt. Such early learning processes, known as "imprinting," stay with the new business and shape its development.

Sapienza and Zahra suggest that early internationalization imprints the young firm with adaptive abilities conducive to increasing success in foreign markets, and exposes the firm to new customers, suppliers, competitors, and innovation centers. This exposure allows the organization to learn novel ways of doing business and to identify new opportunities.

The research suggests that early internationalization

increases risk, but also increases growth opportunities for a new business with aspirations of making it big. So what can the growth-seeking entrepreneur do to increase his or her chances? The authors believe that early international success is a function of three variables: organizational age, experienced managers, and fungible resources.

"...early internationalization imprints the young firm with adaptive abilities conducive to increasing success in foreign markets..."

All firms are free to attempt to expand into international markets, but older firms are generally better equipped to withstand the stresses. Mature organizations have built up reserves in physical resources, capabilities, and relationships over the years.

Because new firms have shallow resources, even the slightest tactical error can be ruinous.

New organizations do have some advantages. Sapienza and Zahra argue that in some ways "young internationalizers possess some learning advantages in newness." They are unencumbered by past assumptions and routines as well as more open to innovative ways to compete and grow. There is no business as usual for new firms. Their lack of developed formal routines, protocols, and relationships are double-edged swords—little to fall back upon but little to hamper exploration.

So what guides decision making if there isn't precedent within the organization? When faced with uncertainty managers do what most people do; draw on past experiences. The authors posit that a manager with prior international experience can mitigate some of the disadvantages of venturing into new territory. Savvy managers can save a firm money and resources in three areas.

1. They import prior routines and procedures, reducing the costs of experimentation.
2. Their experience increases the probability of recognizing opportunities on foreign terrain and can save time in implementing plans.
3. Prior international experience brings networks, trust, and reputations that can be leveraged as the company enters and expands in new markets.

Thus new firms with managers with greater international experience can be expected to fare better than those with limited experience.

The authors argue that the nature of a firm's resources also affect survivability and growth. The more fungible, or flexible, a firm's assets, the greater its chances of surviving and growing. Fungible resources include personnel, expertise, and financing access. Non-fungible resources might be fixed assets, such as plants and hard-to-move equipment. Research indicates that firms fail when they cannot bring appropriate resources to bear on challenges they face. This suggests that flexible resources used for multiple purposes and at low cost are vital. The ability to rapidly shift resources creates room for strategic and tactical action. Fungible resources, in all their variety, can create new capabilities.

As markets internationalize and competition looms from all corners of the globe, new firms feel the allure of foreign markets and the threat of new rivals. There are fortunes to be won, but firms that seek to capture the opportunities of early internationalization need more than

just luck. The authors offer the following advice for young adventurers aspiring to thrive in the global market:

1. Leadership must be aware of the strengths and weaknesses of early internationalization. However, a young firm can still have mature awareness about their capabilities and deficiencies.
2. Seasoned managers with international experience are important because they can use and communicate past experiences to save the fledgling organization time, resources, and money.
3. Fungible resources are critical to keep a young firm agile and responsive in the ever-changing global business environment.

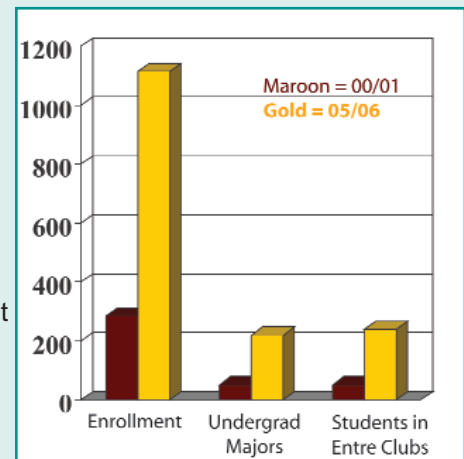
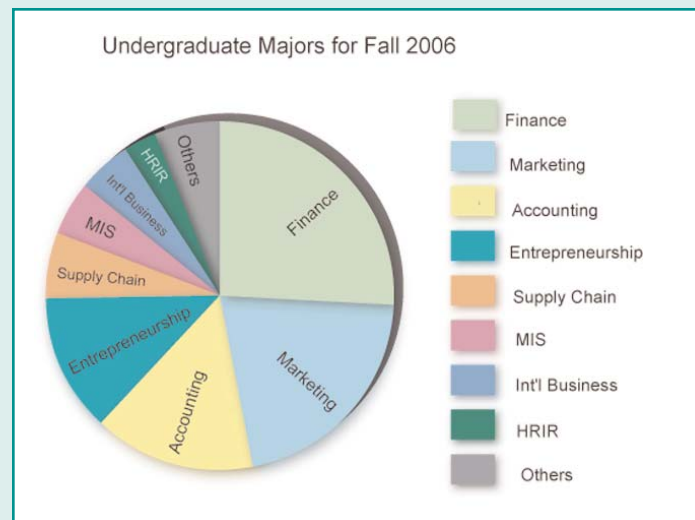
While this advice does not guarantee success, it will certainly give the aspiring international organization a fighting chance.



Updates: Strong Growth in Entrepreneurship Enrollment

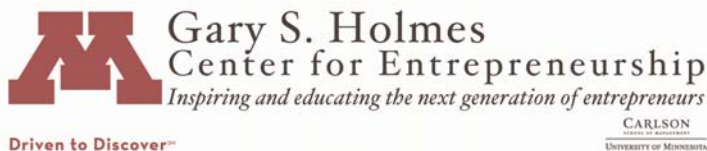
Entrepreneurship has established itself as a leading choice for students at the Carlson School. Entrepreneurship is now the fastest growing and fourth largest undergraduate major in the Carlson School.

Enrollment in entrepreneurship courses has increased 301 percent in the past five years, with 1,144 students enrolled in 2005-06. Students are electing to enroll in a growing range of entrepreneurship courses that better prepare them to create their own opportunities upon graduation, either independently or



within a larger organization. "Students find the courses inspiring and a means to begin to pursue their passions," notes Holmes Center Director John Stavig. "We try to give the students the tools and experiences to adapt and succeed in an increasingly entrepreneurial economy."

For more information contact John Stavig at jstavig@csom.umn.edu.



More information is available at our website

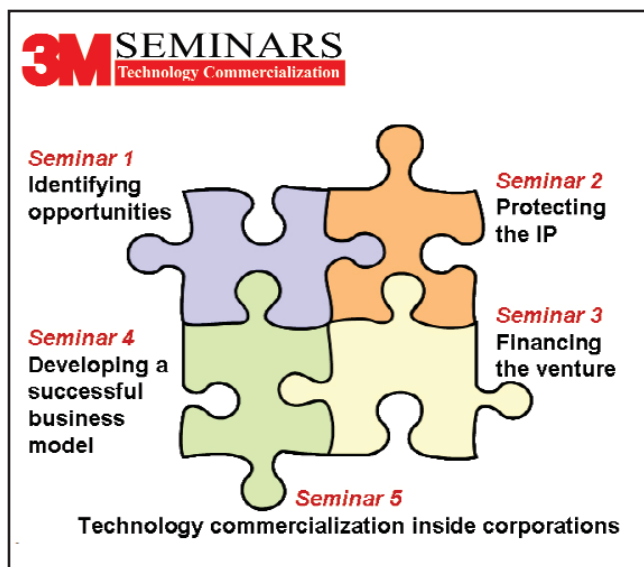
carlsonschool.umn.edu/page6242.aspx

Holmes Center Launches Seminars on Technology Commercialization

The Holmes Center's new, five-part seminar series on technology commercialization welcomed over 200 graduate and PhD students at its first three sessions.

An endowment from the 3M Foundation supports the series, which was developed to encourage graduate students from the University's science and technology colleges. The seminars include lectures on the analysis of new business and technology, opportunities for commercial potential, and the formation of new businesses.

Joan Wrabetz, technology entrepreneur and lead organizer for the series observed, "The need for



information on technology commercialization is paramount for students in the sciences. Too many scientists interested in starting businesses are hampered by their lack of knowledge about the process. These seminars are a step toward a remedy for this situation."

Nationally recognized investors, advisors, and entrepreneurs have joined Carlson School faculty to provide information about technology commercialization. Feedback on the seminars has been extremely positive with students ranking them 4.5 on a scale of 1 to 5.

The first seminar focused on opportunity identification with a case study of high-growth technology ventures. The lineup included Bart Stuck, cofounder of Signal Lake, on start-up technology companies with interesting or unexpected results. Joan Wrabetz spoke on technology and entrepreneurship strategies, and

Shaker Zahra, Robert E. Buuck Chair in Entrepreneurial Studies at the Carlson School, presented trends in technological, corporate, and international entrepreneurship.

The November seminar focused on intellectual property issues. Frank Vargas, managing principal of the Renaissance Law Group and Brad D. Pedersen, partner at Patterson, Thunte, Skaar and Christensen, P.A., discussed examples of patent and other intellectual property issues in a start-up environment.

The third session featured a panel session on financing a technology business. Buzz Benson, Tom Erickson, Ted Johnson, and Frank Vargas shared experiences from health care and technology start-ups on raising angel and venture capital.

The final two sessions will be held in March and April, featuring leading technology entrepreneurs and Carlson faculty. Video of prior sessions is accessible on the Carlson School website at carlsonschool.umn.edu/Page7213.aspx

Entrepreneurial Fellowships Place Students with Entrepreneurial Firms

The Holmes Center is providing undergraduate students with the opportunity to work for local early-stage companies alongside great entrepreneurial leaders. Ten undergraduate students have been selected to receive \$2,000 fellowships for work on projects this semester. The fellowships are jointly funded by the sponsoring company and the Holmes Center. The projects will require that the students research new markets, conduct market research, evaluate new products, support business planning efforts, and generally support the launch of a new venture. The objective is to add value to the company while providing a positive learning environment for the student.

"We are trying to apply the student's entrepreneurship coursework in a real-world environment, testing the student's interest and capability in an early-stage venture," noted Holmes Center Director John Stavig. "This program provides first-hand experience for the students alongside entrepreneurs as they build their business. This will better prepare the student to make an informed career decision upon graduation." If you are interested in participating in the program, contact John Stavig at jstavig@csom.umn.edu.

Guy Kawasaki packs the McNamara

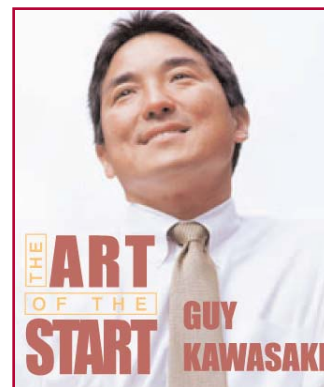
Six hundred-plus attendees packed the McNamara Alumni Center on January 19 to hear Guy Kawasaki, with an additional 150 more viewing the presentation via simulcast at the Carlson School.

Guy is best known as one of the individuals behind the success of the Macintosh. He is an innovation evangelist, an entrepreneur, a venture capitalist, a columnist for Forbes.com, and the managing director of Garage Technology Ventures, an early-stage venture capital firm.

The presentation was packed with information for everyone—from two guys starting the next Google to social activists starting the next movement—and covered fund raising, positioning, branding, recruiting, rainmaking, business planning, and the development of corporate mantras.

Guy is the author of eight books, including the *Art of the Start*, *Rules for Revolutionaries*, *How to Drive Your Competition Crazy*, *Selling the Dream*, and *The Macintosh Way*.

Event sponsors were the Gary S. Holmes Center for Entrepreneurship, the University of Minnesota, the Venture Center at the University of Minnesota, SDWA Ventures, Haberman & Associates, and the James J. Hill Library.



Students launch new ventures in Entrepreneurship in Action



In January, 30 undergraduate students launched two student-run businesses in the second year of the Entrepreneurship in Action class. Gopheropoly, LLC received \$15,000 of funding to develop and sell a nostalgic board game depicting the University of Minnesota campus and surrounding sites. The students licensed the University trademarks and sourced all game components from vendors around the world. They finalized the design, target costs, and pricing, and they will begin assembling the games over spring break. The students have developed their online sales capability (gopheropoly.com), secured distribution at three local retailers, and presold more than 1,200 units. Selling all of their 1,750 limited edition units would generate revenue of approximately \$40,000.

Alumni Advisor, LLC is developing a sponsor-supported publication to be distributed to 8,000 graduating University students this spring. The publication will provide advice on upcoming careers (interviewing, negotiating, and networking, etc.) and personal decisions (buying a home, car, insurance, health coverage, insurance, banking services, etc.). As last year, the students will donate all profits to the University or selected non-profit organizations. Special thanks to **Gary Holmes**, **Bill Sands**, **Roy Wetterstrom**, and **Steven Wexler** for serving on the board of advisors for these student-run businesses and to State Farm Insurance for financial and professional support of this unique class.

Hatchery students prevail in Minnesota Cup

Students from across campus competed in a new \$5,000 prize category in the 2006 Minnesota Cup competition. All three of the finalists leveraged the services of the the Holmes Center undergraduate business hatchery to develop their business ideas. The hatchery advises students on the development and implementation of their plans and puts them in touch with experienced professional advisors. "We're planning to ramp up the program with expanded facilities, additional external advisors, and potentially a small seed fund," noted the Holmes Center Director John Stavig. "The results of the this year's Minnesota Cup suggest we're making an impact."



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Jeff Wirth and Wheelock Whitney

Entrepreneurs on Campus

The Entrepreneurship Club and The Holmes Center courses welcomed a stellar list of more than 50 entrepreneurs last fall. Thanks to these entrepreneurial leaders for sharing their time and perspectives with our students:

Irwin Jacobs	Stanley Hubbard
Denny Hecker	Wheelock Whitney
Dale Bachman	Judy Corson
Linda Hall Whitman	Robert Stephens
Jeffrey Wirth	Charles Zelle
Wayne Kostroski	Fred Haberman
Dave Anderson	Kieran Folliard
Laura Ramsey Engler	Tom Petters

Coming Events

April 19, 2007
Entrepreneurial Forum
Featuring Mike Veeck
"Entrepreneurial Marketing"
4:30 to 6:30 p.m.
Carlson School—Room 2-260 R
RSVP to ces@csom.umn.edu

April 26, 2007
CEO Dinner
Undergraduate Entrepreneurship Club
Featuring Tom Petters
McNamara Center Atrium
6:00 p.m.
\$50.00 Fee
RSVP ceodinner@gmail.com

May 2, 2007
Founders Day
Join President Bruininks and Dean Davis-Blake in a naming ceremony for the Gary S. Holmes Center for Entrepreneurship and a celebration of entrepreneurship at the Carlson School Atrium
12:00 p.m. to 1:30 p.m.
RSVP to ces@csom.umn.edu

The 2007 Minnesota Cup Competition

Coming soon, the third annual Minnesota Cup Competition!

The Minnesota Cup is a statewide competition that seeks out, supports, and promotes Minnesota's newest and most innovative business concepts. The program calls upon entrepreneurs, inventors and small businesses to participate by entering at the contest website. All entrants receive access to valuable resources with the best entries competing for prizes that include seed capital, support services, and the opportunity to present their plan to leading investors and leaders in business.

The 2007 competition will be announced in March with more information available at www.breakthroughideas.org. Now is a great time to think about your entry and/or to encourage others you know to explore this opportunity.

The Gary S. Holmes Center for Entrepreneurship is proud to sponsor this competition to encourage and support local entrepreneurs.

