

# The Entrepreneur

A Newsletter of the Gary S. Holmes Center for Entrepreneurship

Winter 2009

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**CARLSON**  
SCHOOL OF MANAGEMENT  
UNIVERSITY OF MINNESOTA

## Staffing leaders honored

### Dohertys receive Entrepreneur of the Year Award

**T**im and Valerie Doherty, co-founders and owners of Doherty Employment Group, were awarded the University of Minnesota's 2008 Entrepreneur of the Year Award during the Minnesota Cup awards reception. The gathering of 400+ members of Minnesota's entrepreneurial business community featured welcoming remarks from University President Robert Bruininks, the announcement of the 2008 Minnesota Cup winners, and comments from the Dohertys.

Both Tim and Valerie are alumni of the University of Minnesota. Tim graduated from the Carlson School of Management in 1976 and Valerie from the law school in 1979. Tim is a frequent guest lecturer in MBA entrepreneurship classes and both have been active supporters of the entrepreneurship program at the Carlson School.

After founding their business as Quality Temp in 1980, Tim and Valerie have grown the firm to more than \$400 million



(left to right) Gary Holmes, Valerie Doherty, Tim Doherty, Allison Davis-Blake

in annual revenue and service more than 10,000 worksite employees. Valerie serves as chief executive officer and Tim as chairman. Headquartered in Edina, Doherty Employment Group is a leading provider of staffing, human resource outsourcing, payroll, and recruiting services.

## Diagnosis by Zipnosis

### Enterprising grad student snags top prize for healthcare-related business plan

**D**o you zip? Or have you zipped today? If Jonathan Pearce has his way, those phrases would soon be rolling off our tongues. The Carlson School MBA student is the founder of Zipnosis, a virtual way to confer with your doctor. Pearce recently won the Dennis Anderson Student Award at the Minnesota Cup, the annual statewide contest to find breakthrough business ideas.

Zipnosis, which is expected to enter the testing phase within six months and hit the market in fall 2009, stands out among four competitors because it offers mobile access. You can lie in the warmth of your bed or sit in your favorite coffee shop with, say, your brand new iPhone and zip in a matter of minutes.



Jon Pearce (left), John Stavig

After logging in, you are presented with a series of structured questions that will allow a physician to make a diagnosis and treatment decision within a few hours. Physicians who conduct virtual visits have reported that e-visits average five minutes, compared with 15 to 20 minutes for comparable office encounters.

Pearce said he is targeting Zipnosis to the younger generation, who've grown up in the age of cell phones and who can't easily take time off work.

Pearce, who spent nearly five years working at a medical software company, came up with the idea for Zipnosis about a year and a half ago after a physician friend had wondered aloud if he could consult with some patients without seeing them in person.

# Trust and the entrepreneur

by Harry Sapienza

“...if we knew what we were looking for, it wouldn't be research.” —ALBERT EINSTEIN

Recently I have struggled with the vagaries of hiring out work from contractors to fix the inevitable



wear and tear to my home. The mishaps I have encountered in this process, ranging from incompetence to mild forms of dishonesty, bring at least a small level of consolation for me:

they suggest that the research that I have been doing on the importance of trust in business transactions in general, and for entrepreneurial ventures especially, is worthwhile.

Of course, as important as my house problems are, there is larger and more dramatic evidence in national headlines of mismanagement and malfeasance as financial institutions fail. And, regionally, we have all witnessed allegations and resignations of prominent CEOs and

founders of public and private institutions. The larger point for all of us is that in order for businesses to thrive, for the business system to work, parties must be able to trust in one another at some level.

I have done three empirical studies on trust so far, and I am about to embark on another. The first study I did was in the corporate setting and had to do with the trust a decision-making team has in its leader. The second examined how venture capitalists' trust in their entrepreneurial founders developed during the investment period. The third study looked at the factors that influenced the level of trust entrepreneurs had in the venture capital firm and lead investor at the point of the initial investment (i.e., how “swift trust” comes about). And, the one I am currently engaged in developing with two other researchers looks at how entrepreneurs' trust in the competence and in the character of their investors develop, and how they influence one another.

## Why do we trust?

The first study looked at whether individuals' trust in the leaders of their teams was affected by how the leaders conducted the decision-making process. What we found was that even in pre-existing teams with decision-making histories, the trust individuals had in their team leader was significantly affected by how the leaders conducted a single decision-making process.

Individuals' belief in the trustworthiness of their leader was significantly altered by how the leader conducted the most recent decision process. Regardless of the outcome of the process (i.e., how effective the decision appeared to be), individual workers' perceptions of the trustworthiness of the leader was positively affected by the fairness in conducting the decision process and by leaders' consideration of individuals' input.

In the second study, we examined whether venture capitalists' trust in the entrepreneur (i.e., the investee) was systematically different depending

## Making a difference

### Dan Kaskubar helps build a sustainable plan for success for Ugandan schools

The next time you see Dan Kaskubar, be sure to ask him how he spent his summer vacation. Kaskubar, a second-year MBA student, recently completed an eight-week summer trip to Mityana in rural East Africa to help develop income-generating projects for five private schools. To support his passion in social entrepreneurship, the Holmes Center funded half of his travel and living expenses for this trip.

Kaskubar, who will graduate in May 2009, met Patrick Walusimbi, a pastor and founder of the five schools, three years ago when Kaskubar's church helped Walusimbi build one of the schools. Kaskubar got in touch again after taking the Carlson School's two-week Costa Rica Seminar last January on sustainable business practices. “I knew that Patrick had purchased 50 acres of land to provide food as well as vocational training for the students, but that he wasn't producing on all of it,” Kaskubar says. “I wanted to see if I could use some of the tools I learned in Costa Rica to help him.”

Kaskubar relied on the expertise of some Western experts in animal science and egg production to help him analyze the egg operations. But most important, he also arranged a tutorial in chicken management from Ugachick, Uganda's leading poultry producer. (It helped that Walusimbi's brother-in-law runs Ugachick.) Kaskubar says with this additional help, Maranatha's chickens should be able to achieve 75 percent egg production and profitability.

“While it might seem obvious to outsiders to seek out local assistance, poverty helps create a ‘silo’ mentality in Uganda,” Kaskubar says, “with myriad small producers or suppliers who fear that forming organizations or associations helps their competitors. This makes it hard to partner to share resources and best practices, and makes procuring basic resources wildly inefficient.”

To read more about Kaskubar's trip, visit <http://daninuganda.wordpress.com>.



At Ugachick headquarters. From left, Eva Walusimbi, Catherine Walusimbi, Ugachick Managing Director Aga Sekalala, Patrick Walusimbi, and Dan Kaskubar.

## Welcome aboard

### Entrepreneurial instructors bringing experience to the classroom

on whether the entrepreneur provided ongoing feedback and on the amount of influence the investors had in the decisions implemented in the venture. Here, taking into account the prior performance of the venture, we found that both feedback and investor influence increased investors' trust in the entrepreneur and his or her willingness to re-invest.

In the third study, we looked at how pre-investment conditions related to entrepreneurs' trust in their investors initially and later on. Not surprisingly, we found that the reputation of the investor firm had a positive effect on both initial trust and trust later on. More interestingly, we found that extended bargaining processes were related to higher trust initially, but lower trust in later stages; conversely, we found that milestones and hurdles were related to lower trust initially but higher trust in later stages.

In summary, the studies suggest that one's trust in the integrity or character of another evolves out of pre-existing expectations, the manner in which one is given information, and the manner in which one's information is received. The type of trust we examined throughout is the other's trustworthiness in terms of honesty, integrity, fairness, and goodwill.

### Coming to judgement of character and competence

Sometimes trusting in the goodwill of another is not enough. How do investors come to a sufficient level of trust in the character and competence of the entrepreneurial team members?

We suspect that some of the conventional avenues of certification are of course in play: third party references from professional colleagues, resumes, hearsay, etc., will play a large part. But much of this "evidence" is tainted by its scarcity, its ambiguity, and by the inherent biases of the sources of such information. How do professionals in the business of making such assessments increase their odds of success?

It is important for entrepreneurs to understand how investors make and act on these assessments — such knowledge can help them figure out how to show their best side and gain the confidence of investors. It is important for investors to know whether and when the conventional avenues to developing "gut feel" and leaps of faith work. Stay tuned.

We are pleased to welcome two new undergraduate instructors to the entrepreneurship program, Dan Grigsby and Linda Hall Keller. They both bring vast experience into the classroom and will be tremendous assets for our students.

#### Dan Grigsby

To engage students across the University of Minnesota campus, last fall we brought in tech entrepreneur Dan Grigsby to teach the introductory entrepreneurship class on the east bank. The class focuses on technology-based entrepreneurship and has a cross-section of Carlson School and engineering students.



Grigsby was the founder and initial developer of St. Paul-based Merchant Planet, an early e-commerce provider. The company was acquired by LinkExchange in 1998 and its services were used by more than a million small business and website owners. Grigsby relocated to San Francisco to lead all of the front-end engineering for the company's suite of products.

He returned to Minnesota in 2003 and worked as an advisor to start-ups and conducted specialized consulting, including executive business development, strategy, and building new products for VC-backed and established companies. He co-founded MinneBar and MinneDemo, Minnesota's two largest software/web community events. An annual conference and periodic networking event respectively, these free-to-

attend events serve a community of more than 700 local developers, entrepreneurs, and business leaders.

#### Linda Hall Keller

Linda Hall Keller is an accomplished executive and entrepreneur whose career has taken her from some of the most



respected corporations in the Twin Cities to its most innovative start-up companies. She currently serves on two corporate boards, three non-profit boards, is a frequent guest lecturer, and will teach entrepreneurial management at the Carlson School starting in Spring of 2009.

She is best known as the former CEO of Minneapolis-based MinuteClinic from 2002 to 2005, when she was brought in by the board of directors to re-start the company. She raised more than \$30 million in equity, brought in a new board and management team, expanded retail hosts to include Target and CVS, and launched a national expansion. MinuteClinic currently has more than 550 locations throughout the U.S.

Her past management experience outside of healthcare includes being president of Ceridian Performance Partners and director of marketing for Honeywell's Commercial Controls business. She has had extensive experience leading companies through rapid growth as well as identifying and integrating acquisitions.

The Holmes Center welcomes both of these distinguished individuals to the Carlson School.



#### Rao is MBA Teacher of the Year

Dileep Rao, adjunct professor, entrepreneurship and venture finance, has been voted Teacher of the Year for the second year in a row by Carlson School MBA students.


Rao is the president of InterFinance Corporation, which consults with governments, lenders, and businesses on venture growth. He holds a PhD in business administration from the University of Minnesota and presently writes an entrepreneurial finance column for Forbes.com.

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## Calendar

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|-----------------|-----|--|
| <i>January</i>  | 26  | 3M Tech Commercialization Seminar: Financing your venture                  |
|                 | 31  | Cleantech Bootcamp   |
| <i>February</i> | 10  | Cathy Paper, LiveDynamite: Positive habits for positive success            |
|                 | 12  | MIT Forum Event: The future of enterprise software                         |
|                 | 24  | John Wernz, Markarch: Company and culture: Fostering entrepreneurship      |
|                 | 25  | MIT Forum Event: Avoiding the financial beast of burden in 2009 and beyond |
| <i>March</i>    | 24  | Gerald Timms: Urologics Entrepreneur                                       |
|                 | 30  | Minnesota Cup Kickoff  |
|                 | 31  | BizPitch Contest   |
| <i>April</i>    | 17  | Entrepreneurship Club: CEO Dinner  |
|                 | 30  | Entrepreneurship-in-Action: Final student presentations                    |
| <i>May</i>      | TBA | Founders Luncheon  |
|                 | 22  | Minnesota Cup entries due  |

## *New space for Holmes Center*

**“It was my hope that the institution bearing my name would be a mecca for would-be entrepreneurs from all over the country.”**

—CURT CARLSON

Entrepreneurship now has a more visible presence at the Carlson School with the recent opening of the Holmes Center’s offices on the second floor. The generous donation from Gary Holmes along with Curt Carlson’s vision for the school will make this a space where students and the business community can come together. During Global Entrepreneurship Week in November, the Center welcomed its 17 Entrepreneurs-In-Residence to the new facility to kick-off the business hatchery program.