

BUS410/ ECN331 Entrepreneurship (3 credit hours)*

Instructor: Hitoshi SUGA, MBA/ Yumi INADA, J.D.(for week-2 Class)

Fall Semester

Meeting times: Fridays 15:00-18:30

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* Japanese students who matriculated prior to April 2008 will do an additional one-credit project to earn 4 credits for this course.

DESCRIPTION: Venture business and entrepreneurship constitute the very foundation of modern economies. Toyota, Sony, Honda, Panasonic, Kyocera, Mitsui, and Mitsubishi all started out as tiny ventures. However, present-day Japan seems to be losing entrepreneurial spirit and lags far behind other OECD nations in terms individual aspirations and track record of starting and cultivating new companies. This is in stark contrast to the eco-system of Silicon Valley, where successful ventures and industrial frontiers are constantly emerging. It is time for Japan to re-engineer its venture eco-system so exciting new companies can once again emerge and grow, and lead away from the 1990's money and greed-driven "Bit-Valley" ventures of Shibuya, Tokyo and the "IT-bubble" ventures of the early 2000's. Most of these undesirable Japanese startups have already disappeared or are destined to disappear soon due to their unprofessional, uneducated, and unethical ways. The entrepreneurship world is hyper-dynamic. Business models that succeeded just a couple of years ago are already obsolete. This course teaches essential elements for successful entrepreneurship, which can be regarded as almost universal, inductively-extracted key factors for success. During the semester, students will experience the 'real world' of entrepreneurship through eyes and true stories of successful venture capitalists and CEOs of fast-growing venture businesses who will visit our class from Tokyo. Their sensational stories about the process of entrepreneurship – from start-up to going public – are stories that few Japanese ever experience. Students will also be exposed to a wide range of theories and conceptual frameworks and will learn practical skills through the analysis of case studies. Groups of four to six students will be formed and will participate in a business plan competition to be waged toward the end of the semester. The presentation will be judged by 'real world' entrepreneurs/venture capitalists and the instructor. In the event that there emerges an exceptionally attractive plan, students may have an opportunity to bring your dream to the real world through the instructor's venture capital network.

OBJECTIVES: The objective of the course is to nurture future entrepreneurs. We have four goals: first, to understand each dynamic step in the 'process' of entrepreneurship, and acquire relevant knowledge in the areas of government regulation, tax, accounting, equity finance, legal environment, and business practices unique to Japan; second, to understand

how the processes, theories, concepts of entrepreneurship in other countries (especially America) are being applied, or why they are not being applied, in Japan; third, to learn how to make business dreams a reality, and maximize the chances of success; and fourth, to give each student an opportunity to explore the possibility of becoming an entrepreneur as his/her potential future career.

STUDY MATERIALS:

<Textbook>

W D Bygrave and Zacharakis, A, ed. The Portable MBA in Entrepreneurship, 3e. New Jersey: Wiley.

<Reference books, sources of readings and other information in English>

Tim Clark and Kay, Carl. Saying yes to Japan. New York: Vertical. (Japanese translation “Moukaru Kuni Nippon” by Nihon Keizai shinbunsha also available).

Selected Harvard Business School case studies and notes on entrepreneurship and venture business (cases from and other universities may also be used).

<Reference books, sources of readings and other information in Japanese>

Matsuda, Kouta. Subete wa ippai no coffee kara, (“Everything has started with a cup of coffee”). Tokyo: Shicho-Bunko.

Matsuda, Kouta. Shigoto wa 5-nen de Yamenasai, (“Terminate and step-up your job in 5 years”). Tokyo: Sun-Mark Shuppan.

Hori, Yoshito. Gojin no Ninmu, (“Our Responsibilities”). Tokyo: Toyo Keizai Shinpousha. Souzo to Henkaku no Shishi Tachi E (Dear vVisionary Leaders who Create and Innovate the Society) PHP

BACKGROUND OF INSTRUCTOR: The instructor is a successful entrepreneur, and founder and former CEO of a major venture capital firm, and presently is chairman of investment committee of an emerging venture capital firm based in Silicon Valley and managing director of a start-up food/beverage franchising venture based in Singapore. He is a graduate of Waseda University and MBA from Harvard Business School.

ASSESSMENT: Student performance will be measured in consideration of his or her achievement of the course Objectives listed above, in the following three areas: 20%: Midterm Examination; 60%: Team presentation (business plans to be prepared by groups throughout the semester and to be presented and judged/graded in the final two sessions); and 20%: Class participation (intelligent contributions during class).

PREPARATION: Students are expected to have completed all reading assignments – the case, notes, and textbook reading – BEFORE coming to the class and have already familiarized themselves with the concepts written there. We will rely heavily on case method teaching and learning techniques developed at Harvard Business School. Generally, readings from the textbook and notes ARE NOT taught in class. In order to maximize the learning effect of the case study experience, students are expected to spend AT LEAST TWO HOURS for each case preparation. Class activities focus on case action plans and decision-making processes, based on knowledge acquired from assigned readings and each student's own personal judgments already acquired from past academic and real-life activities, supplemented by questions, answers, and comments by the instructor. A substantial part of the course will be presentations by guest speakers to expose the students to real-world experience. 60% of the grade will be based on the achievement and performance of the group business plan presentation (using Powerpoint and Excel) at the final class. All the students in this course will be required to rigorously prepare business plans. This is accomplished in groups of 4-to-6 students each throughout the course. These group work sessions take place MOSTLY OUTSIDE REGULAR CLASS HOURS. Each student is expected to actively participate at the presentation contest. Students will be shown business plan examples and early in the semester students will learn how to write a good business plan.

OTHER MATTERS:

Heavy Usage of Emails and PC Environment: Most of the communications between the students and instructor will take place through email and most class assignment, including the preparation of presentation materials will be must be computer-generated. Students are expected to have highly developed computer skills, especially in use of Powerpoint and Excel software. Teamwork will probably require frequent electronic exchange among students.

Optional Assignment: By Week 4 or before, you may prepare and submit your own "business idea" on a ½-page sheet for use in the business plan contest as one of the participating themes. Successful submissions will be used as one of the themes for the final project. Students who submitted such themes will probably be asked to be the imaginary president and CEO of each "company," and will later recruit other officers and employees from the class by advertising each company's outline, mission statement, goals, etc. to the rest of the class. The process of advertising and recruiting the officers/employees will be informed later.

SCHEDULE:

<Week 1> September 4 – Professor Suga

Introduction: Entrepreneurship and Venture Business: Part One

Lecture: Introduction by instructor

Discuss readings from textbook and notes:

- *Textbook:* “The Entrepreneurial Process” (pp.1-27)

<Week 2 > September 11 – Y Inada, J.D

Theme: Preparing a Business Plan

Lecture: Strategy Formulation, Organization, Human Resource Management, Marketing and Sales

Pro-forma financial statements; Japanese business culture toward start-ups; “musts” and “must-nots” for start-up entrepreneurs; Japanese corporate and tax laws; role of the board of directors and statutory auditors: and required financial statements.

Discuss readings from textbook and notes

- *Textbook:* “Writing a Business Plan” (pp. 107-139)
- *Notes:* “The Start-up Process.” HBS 9-384-179.
- *Textbook:* “Building Your Pro Forma Financial Statements” (pp.141-165)

<Week 3> September 18 – Professor Suga

Introduction: Entrepreneurship and Venture Business: Part Two

Discuss readings from textbook, notes, and case

- *Note:* “A Perspective on Entrepreneurship.” HBS 9-384-131.
- *Case:* “Takahiko Naraki, The Three Million Yen Entrepreneur.” IVEY 904M54.
- *Case questions:*
 - 1) Why is Takahiko Naraki struggling to realize his dream?
 - 2) If you were he, would you have done the same thing or differently? How?
 - 3) Does his business make sense? Why?
 - 4) What should Takahiko Naraki do?

Guest Speaker (1): Mr. Daisuke Sugiyama, President & CEO, Interliteracy Inc.

<http://www.interliteracy.com/company/sugiyama.html>

<Week 4> September 25 – Professor Suga.

Theme: Franchising

Discuss readings from textbook and case:

- *Textbook:* “Franchising” (pp.351-376)
- *Case:* Koots Green Tea, “Entrepreneurship at the Edge: Can Koots Green Tea Succeed in the US?”
- *Case questions:*
 - 1) Evaluate and analyze the birth and growth of Tully’s Coffee Japan (TCJ), including a competitive analysis, and identification and discussion of the factors that have led to Tully’s current success.
 - 2) Do you think diversification of TCJ business into new Koots Green Tea business was good strategy? Why or why not?
 - 3) Can Koots Green Tea operation succeed in Japan and eventually in the US? Give your recommendations how the Koots business will succeed.
- *Notes:* Bhidé, Amar. “How Entrepreneurs Craft Strategies that Work.” Harvard Business Review, March/April 1994 #94202, Reprint.

Please note: This day is the deadline for the submission of business plan ideas.

Nomination of the ‘presidents/CEO’s’ and the incorporation process of each ‘company’ will be announced by email. After this class, each student will be required to join in one of the ‘companies’ to be formed within the class under the leadership of the each company ‘president.’ Students will be designated and will assume his/her role as either one of the ‘officers’ or ‘employees’ responsible for each business function such as EVP, CFO, Chief Marketing Officer, or just an employee to do various support work. Each company must have one president and at least one EVP. Each student will be accountable for completing his/her part of Powerpoint presentation of each “company” at the end of the course. Members of each “company” from here on must meet regularly outside the class hours to complete the business plan to be presented at the business plan contest in the final class. In the event that a particular ‘president’ is not performing his or her duties well, or is deemed to be unqualified for the job, a majority vote may remove such a president and a replacement made from among ‘company’ members more qualified to assume the post. Upon the presentation at the end of the course, each member **MUST** make presentations concerning their respective responsible portion of the business plan, while “president” is only allowed to make the executive summary or conclusion part of the presentation.

<Week 5> October 2 – Professor Suga

Midterm Exam: 15:00-18:45

Comments about the exam: Students will be provided a business case and will be asked to analyze and answer the questions about it. Students may bring into the exam room any type of reference material, dictionary, including the text book. However, there will probably be little or no time to consult them. The exam room will be equipped with PC's. Students will use Microsoft Word software to answer and print the exam, which will then be submitted to the instructor upon completion. No handwritten papers will be accepted. Students should keep one copy of the case and their answers, to be used in the next class.

<Week6> October 23 – Professor Suga

Theme: Review and class discussion of midterm exam. 15:00-16:40

b)(for 4 credits students only) : Assignment for Independent Research. (The themes of the research paper will be given in class and will be due on November 27 to be submitted during the class on that day.)

Guest Speaker (2): 16:50-18:30

Ms. Mikiko Miyaji, Novartis pharma K.K

<Week7 > October 30 – Professor Suga

Theme: E-Commerce

Discuss readings from textbook and note:

- *Textbook:* “Entrepreneurs and the Internet” (pp.377-404)

Cases: “Rakuten” HBS 9-305-050

“Mixi” HBS 9-709-413

- *Case questions:*

- 1) Evaluate the spectacular growth and success story of Rakuten and discuss/analyze the factors which has led the company to such a success
- 2) Conduct the competitive analysis for Rakuten and determine what makes the company to achieve such a dynamic growth and transformation from a small start-up venture to a huge conglomerate as it is today in only more than a decade.
- 3) Evaluate the success story of Mixi and discuss/analyze the factors which led the company to the present level
- 4) Do you think Mixi will grow like Rakuten in the future? Why?
What will it take to be a big enterprise vs. the success story of Rakuten?

<Week 8 > November 6 – Independent Group Works

3:00PM through 6:20PM of this day will have to be spent by students independently in Groups for independent group works for preparing the Business Plan Contest on Nov.27. Students may conduct the designated group works either at the designated classroom, which will be made available during the period, or any other suitable venue students choose within the AIU campus.

<Week 9> November 13– Professor Suga 15:00-16:40

Discuss readings from textbook, case, and notes:

- *Textbook:* “Opportunity Recognition ” (pp.29-70)
- *Case:* “Lotus Development Corporation.” HBS Case 9-285-094.
- *Case questions and instructions:*
 - 1) Analyze Lotus’s business opportunity vs. its corporate resources and discuss why this company is so exciting to Sevin-Rosen Partners in 1982. Evaluate the size of the opportunity.
 - 2) Carefully discuss Mitch Kapor’s personal profile. Compare it with Japanese entrepreneurs such as Takahiko Naraki from Week-2 class. Observe fundamental differences between the US and Japan in terms of what it takes to build a truly successful venture that “can change the world.”
 - 3) How much do you think the Lotus is worth in 1982 and how much money should Kapor accept as the first time equity investment from a venture capital?

<Week 9 ..Extra class for 4 credit students but open to other interested students>

November 13– Professor Suga

16:50-18:30

Theme: Venture Capital and Exiting Your Business

Discuss readings from textbook and note:

- *Textbook:* “Harvesting Your Venture: A Time for Capturing Value” (pp.427-453)
- *Note:* “How Venture Capitalists Evaluate Potential Venture Opportunities.” HBS 0-805-019
- *Case:* “JAFCO America Ventures, Inc.” HBS 9-899-099
- *Case questions:*
 - 1) Suppose you have personal funds to invest in Venture Capital Funds. Do you want to put your money in JAFCO America Fund, or in some other prestigious U.S. venture capital? Why?
 - 2) Outline the activities of venture capital firms. How do they get access to good Investment deals? Why?

- 3) Do you think the professionals at JAFCO America have been compensated adequately or not? Why?
- 4) Do you want to become a venture capitalist yourself someday? Why? What will it take to be a good venture capitalist?

<Week 10 > November 20 – Professor Suga

Rehearsals of the presentations: 15:00-16:40

Rehearsals will be held in class in the presence of the instructor. Certain comments/suggestions will be given for finalization of each business plan to be presented in on November 27.

(1:00PM through 240PM or equivalent amount of time in the evening of this day will have to be spent by students independently in groups for independent group works for preparing the Business Plan Contest on Nov.27.)

Guest Speaker (3): 1650-18:30

Mr. Masashi Mizunaga, President & CEO (Representative Director) , Star Mica Co., Ltd.

http://www.starmica.co.jp/company_english.php

<http://www.starmica.co.jp/directors.php>

<Week 11 > November 27 – Professor Suga

Business Plan Contest: 15:00-18:45

Contest details: 20-minute, 20-page Powerpoint presentations by “companies,” followed by 10-minute Q&A from panel of judges. Each presentation will be evaluated by 5-point scale. In the unlikely event that any of the “companies” fails to achieve an average score of 2.0 out of a possible 5.0 from the judges, such company may be considered “unsatisfactory” and ALL ‘company’ members may receive a failure grade for this course. Judges consist of the instructor, another faculty member from CELS, and one guest judge.

Notes: (1) The pace and timing of study themes are subject to change. (2) All required readings, lectures, cases, and guest speaker presentations will be in English. However, non-Japanese-speaking students with Japanese language skills will find they have an advantage when it comes to accessing data, articles, websites, and other optional study materials, much of which is not available in English, yet extremely important once you actually start a business in Japan.

