

# Practical Entrepreneurship Syllabus

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## Instructor Information

### Instructor

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**\$10K Competition!!**

## General Information

### Description

Entrepreneurship is the process of designing, launching, and running a new business venture. We believe that it is a skill that can be learned and applied. Entrepreneurship is becoming increasingly important for young people to understand as technology and globalization continue to change the job market. This course is designed to introduce you to that skill, pique your interest in starting a venture, and provide a starting for you to do so. The course will cover a wide range of topics, from idea generation to market research to financial planning and management.

In addition, the course will feature guest speakers who are successful entrepreneurs and experts in various aspects of starting and running a business. These speakers will provide insight and advice, and offer students the chance to network and build connections in the entrepreneurial community.

The culmination of this course will be a business plan competition, whose winners will be awarded a \$10,000 grant to help kick start their business idea.

### Expectations and goals

Goals for the students are to remain very active in class. People learn best when asking questions and listening to their peer's concerns / ideas.

## Optional Course Materials

Aulet, Bill. *Disciplined Entrepreneurship: 24 Steps to a Successful Startup*. Hoboken, New Jersey: John Wiley & Sons, Inc., 2013.

## Course schedule

| Week    | Topic  | Optional Reading           |
|---------|--|----------------------------|
| Class 1 | Introductions  | Introduction and Step 0    |
| Class 2 | Testing your idea: your product, your customers, and the competition | Steps 1 – 4, 8, 10, 11, 17 |
| Class 3 | Money matters  | Step 15                    |

| Week    | Topic  | Optional Reading  |
|---------|--|---|
| Class 4 | Tactics and Strategy: The nuts and bolts of starting a venture and nuggets of wisdom to keep in mind on your journey | <a href="#">Sunk Costs and Opportunity Costs in Startups - Forbes</a> |

## Additional information and resources

### What course content to expect

#### Class 1: Introductions

- About your Mentor
- About this course
  - What topics will be covered?
  - How will classes be structured?
  - What is expected of the students?
- About the competition
- The first lesson: How to get started
  - Founders have three reasons to start a company: (1) have an idea, (2) have a technology, or (3) have passion
  - Key question to ask yourself: “What can I do well that I would love to do for an extended period of time?”
  - Remember, entrepreneurship is not a solo sport...find your team
  - When you think you have a viable idea, do the following as a quick sense check (we’ll dive deeper in later classes)
    - Feasibility (focus of the next class): Have you vetted this idea with others?
    - Market (focus of the next class): Why is this product or service needed and who benefits from it?
    - Competition (focus of class 3): Is this idea unique? Are there competitors? Start with a simple Google search

#### Class 2: Testing your idea: your product, your customers, and the competition

- Goal of this class: figure out who you want to sell to first and how big an opportunity you have. We’ll do this by (1) better understanding the market, (2) narrowing that market down, and (3) estimating the resulting size. Then we’ll analyze where you stand relative to competitors, figure out what you can do to enter their space and out compete them or avoid competing with them entirely, and position yourself such that you can’t be similarly displaced.
- Sizing your opportunity
  - Part 1: What kind of market/paying customer do you have?
    - Most companies produce a product or service which they then sell to customers in a supplier/customer relationship (example: Taco Bell sells tacos to hungry customers), this is called a one-sided market.
      - For this type of company, your paying customer is either the end consumer (called a primary customer) or a customer that will resell to the end consumer or another customer (called a secondary customer)
    - Some companies help make connections between customers and suppliers (example: Uber connects drivers to riders), this is called a two-sided market.

- Generally, only one side of the market is the paying customer (example: advertisers pay on Instagram, not users). We'll talk about which side that should be
  - Part 2: Who's your target customer? Figure that out with 3 steps:
    - Segment your market
    - Choose the first market segment to sell to
    - Build an end user profile
  - Part 2b: Now's a good time to pressure test your idea. Answer these questions to see if your idea is still feasible?
    - How will you sell to / acquire this customer?
    - Can the customer obtain a substitute for your product or service in the marketplace today? If so, why are you better? (more on this in the next class)
    - How much value do you create for the end user? For a rational customer, this is the incremental profit you generate for them by providing your product or service. For an irrational one...it's their willingness to pay
  - Part 3: How big is this opportunity?
    - How many customer exist for you to sell too? This can be estimated by a bottom-up or top down approach
    - What portion of the value you create can you capture (your price)? This can be estimated with a value pricing model
    - Calculate the lifetime value (LTV) of a customer based on your value capture
      - Side note: is the difference between the LTV of your customer and the cost of customer acquisition high enough to justify the work?
    - Total addressable market (TAM) = # of customers \* LTV
- Sizing your competition
  - Goal of this class: analyze where you stand relative to competitors. Figure out what you can do to enter their space and out compete them or avoid competing with them entirely. Position yourself such that you can't be similarly displaced.
  - First let's talk about you...what is your Core? What makes you different?
    - The Core is what allows you to create value for customers better than any competitor.
    - Some examples include: network effects, customer service, low cost, user experience
    - Note: first mover advantage is not a Core, neither is locking up suppliers
  - Now let's see how your core stacks up against competitors. We'll do this in 4 steps...
    - List your competitors and your substitute goods. Remember, the toughest competitor of all is the customer's status quo
    - Identify your target customer's top priorities
    - Determine how well both you and your competitors can serve those top priorities
    - Graph it! Are you on the efficient frontier? If not, get there. Are entrenched competitors in the same area of the graph as you? If so, move.
  - Finally, ask what's stopping you from competing. What barriers to entry exist in your business? What barriers can you erect?
    - Examples: distributor agreements, intellectual property, capital requirements, restrictive practices, supplier agreements, customer switching costs, tariffs, taxes, zoning

### Class 3: Money matters

- Goal of this class: understand capital expenses and operating expenses. Determine if your company can reach profitability and how to raise the capital needed to get you there.
- It takes money to make money. These upfront costs are called capital expenses.
  - Estimating capital costs in 4 steps.

- Brainstorm all types of costs you may encounter at your initial size
    - Divide these into capital expenses (things you pay for only once) and operating expenses (things that you pay for every time you provide a product or service, more on this later)
    - Add up all of your capital expenses
      - We'll go through two examples: landscaping business and a lemonade business
    - Finally estimate ongoing capital needs for (1) marketing, staffing, etc and (2) growth
  - How can you raise that capital?
    - Friends and Family
    - Bank Loan (with co-signer over 18 with good credit)
    - Professional investors
    - Scholarships / Competitions
- Ok...but what about actually making money
  - First we need to talk about accounting a P&L (Profit and Loss report)
    - Revenue, COGS, Gross Profit, SGA, Operating Income, Taxes & Other, Net Income
  - Let's dive deep into a couple of those pieces
    - Revenue: we need a business model to make money. Here are a few examples:
      - One-time upfront charge plus maintenance, cost plus, hourly rates, subscription or leasing, licensing, consumables, upsell with high-margin products, advertising, transaction fees, usage-based, microtransactions, operating and maintenance,... and plenty more
    - Unit economics are important here...we want businesses where growth or support staff (SGA) is a small percentage of gross margin. Two examples where this might be the case
      - Example 1: a business with high margins, but high back office (SGA) costs
        - Building an app needs computer science engineers, user experience teams, marketing, etc. All of these things are expensive, but they are about the same price whether you have 100 users or 1 million
      - Example 2: a business with low back office costs, but low margins
        - A lawn care business can grow quite far with one or a few members of back office staff to handling invoicing, receive calls, schedule, etc. But, these jobs are labor intensive and need more landscapers as more jobs are completed
- With capital costs and net income (from the P&L) we can calculate payback period. The shorter the better

Class 4: Tactics and Strategy: The nuts and bolts of starting a venture and nuggets of wisdom to keep in mind on your journey

- Goal of this class: Review the specifics behind getting a business going. Understand how to reinvest to keep your business going. Leave with some parting thoughts to keep in mind
- Here are the first steps you'll need to take to get your business going
  - Step 1: Incorporate
    - There are many options, each with their own tradeoffs: C vs S, LLC, LLP, proprietorship, partnerships, etc
    - To get started we'll go through a demonstration, setting up a business using the GA SOS website (see link in useful resources below)
  - Step 2: Set up a bank account
    - It is important not to commingle funds, we'll give some examples of why
  - Step 3: Buy insurance
    - Insurance is a means of protection against loss. This comes at a cost, namely: a premium and a deductible

- There are many different types of insurance (General Liability (GL), Worker's Compensation (WC), Errors and Omissions (E&O), Cyber, etc) each with their own expenses
  - Step 4: Set up a basic accounting system or record keeping system
    - QuickBooks is a common system for newly started enterprises
    - Keeping strong records is important, we'll go over why
  - Step 5: Pay your taxes
    - We'll talk about payroll taxes, income taxes, and sales taxes
    - This is important, you'll want to avoid the pitfalls of not complying with IRS rules
- With your business going, you'll need to grow it (or not, see below)
  - First you need to decide what you want out of your business. Is this a lifestyle business or a growth business that will survive without the founder? If you'd like a growth business, read on
  - Reinvesting the profits allows your company to grow
  - Growth businesses can be difficult to maintain for the founder. Here are some tips and tricks
    - Learn to be an expert in the operations of the business, know your craft
    - Learn to delegate and trust others as a means to scale
    - Above all, stay positive in times of defeat and passionately focus on the success of the business
- Nuggets of wisdom
  - Sunk cost fallacy
    - Previous decisions are in the past, they should have no impact on future decisions
    - Fail fast, get comfortable with failing
    - Start-ups will pivot frequently until the right niche is found
  - Aligning incentives
    - All economic behavior is driven by incentives, which are the rewards and penalties associated with different choices
      - Make sure those incentives work for you
    - Structure teams so that everyone wins when the team wins and individual accomplishment is recognized
      - Equity for senior team members
      - Commissions for sales
    - Structure deals so suppliers', customers', and your incentives are all aligned
    - Watch out for the principle agent problem
  - Opportunity costs are real costs
    - The cost of an action is the value of the next best alternative that must be given up.
    - Internalizing this will let you value your time enough to be able to let mildly successful projects go in order to chase more valuable projects.
  - Watch out for confirmation bias
    - Confirmation bias: The tendency to seek out information that supports existing beliefs and ignore information that contradicts them.
    - When you're not able to prove your idea is a bad one...you might be on to something
  - The Pareto principle (80/20 rule)
    - Roughly 80% of consequences come from 20% of causes
    - Use this to prioritize your time: example: focus on your top 20% of customers, or top 20% of products

#### Guest speakers

- TBD

## **Useful resources for the budding entrepreneur**

[GA SOS website](#), used to incorporate in Georgia

[How to get an EIN number](#), like a social security number but for a company

[Learning](#) about Various Types of Legal Entities and Tax Requirements with IRS

[Business Entity Overviews](#)

[Lecture Series](#) on Company Valuation Techniques

Basics of [reading financial statements](#)

Basic [Types of Insurance for Businesses](#)

[Stages of Raising Capital for Businesses](#)