



Ross School of Business at the University of Michigan

**Independent Study Project Report**

**TERM** : Winter 2009

**COURSE** : FIN 750

**PROFESSOR** : Tyler Shumway

**STUDENT** : Sherman Powell

**TITLE** : “The Opportunity Cost of Raising Capital”: Starting and Funding a Business – while in Business School

**“The Opportunity Cost of Raising Capital”:**

**Starting and Funding a Business – *while in Business School***

**By Sherman Powell**

**INTRODUCTION**

This paper’s purpose is to provide an overview and analysis of the numerous opportunities available to students at the Ross School of Business, who have the intent to pursue funding and other assistance in starting businesses while enrolled in the MBA program. It is meant to provide a menu of options, from which students can pick and choose, based on the highly constrained timeline associated with pursuing a full course load, as well as the level of seriousness with which students intend to pursue their efforts at new-business creation.

I was enrolled as a full-time student in the Ross MBA program during the 2006-07 and 2007-08 academic years. I entered business school with the intent to start a military logistics-management service centered around an automated asset accountability system, for which I already had an overall concept and a working prototype. My previous career, spanning 11 years in the Army including 46 months of overseas service, and two deployments to Iraq, had provided me with a wealth of knowledge about the military’s supply system, as well as its shortfalls, and numerous ideas for how to improve it. I therefore intended to build the business as a “side project” in conjunction with my formal studies at the business school. I entitled the project “ArmyProperty.com” and named the company Inventory Management Solutions.

I found it immensely difficult – in fact, completely impractical – to pursue my efforts during my first year in the business school, because of the challenges associated with the core curriculum and MAP process, combined with a busy social schedule, as well as the internship / recruiting pipeline, into which I inevitably was drawn. I investigated numerous employment opportunities, and ended up splitting the summer of 2007 between internships at the Boston Consulting Group and Google.

It was only after I returned to school for my second year, in September 2007, that I began to seriously “clear my schedule” and devote serious, concerted effort toward building the business. To that end, I took part in an extensive (or more properly, “exhaustive”) series of formal and informal programs and events, for the most part hosted by the University of Michigan, with the intent to develop the skills, knowledge, and professional relationships that I needed in order to build my business from a standing start, and equally important, to get the business funded.

What follows is a description of the numerous programs and events in which I took part, which I have described on occasion as the “Olympics of Entrepreneurial Education,” starting in early Fall 2007 and culminating in late Spring, 2008. Some events were relatively short and insignificant in terms of effort involved (in one case requiring a total of 30 minutes), while others literally took days, weeks, or entire semesters to complete. Many of these programs had overlapping or identical requirements, which allowed me to economize effort and incrementally develop the same work products – such as the executive summary, business plan, or investor presentation; but that was definitely not true in all cases.

Ultimately, I was tremendously grateful for the experiences that I undertook, and could not have been happier with the results. In April 2008, two months after winning the Michigan Business Challenge, I was invited to present my business at the annual meeting of the Zell-Lurie Institute’s Advisory Board, in Chicago, and subsequently received an invitation from Samuel Zell to apply for funding. During the summer and fall of 2008 I pursued discussions with his firm, and in January, 2009 we closed a \$1 million investment. Most notably, the business plan and investor presentation that I submitted to Mr. Zell’s company in July and August, 2008, were almost identical to the ones that I had produced during the Michigan Business Challenge, 5-6 months earlier. Essentially I took the work that my team and I had performed in the course of a University-wide business-plan competition, performed minor refinements, and used those same products to close a million-dollar deal.

## **LIST OF EVENTS**

1. ES 615, New Venture Creation (Sep-Dec 2007) (Page 3)
2. Dare to Dream program (Sep 2007-Apr 2008) (Page 8)
3. Entrepreneur's Boot Camp (November, 2007) (Page 10)
4. Michigan Business Challenge (Dec 2007-Feb 2008) (Page 12)
5. FuturTech Conference Quick Pitch Competition (Jan 2008) (Page 14)
6. Frankel Fund (Jan-Apr 2008) (Page 16)
7. Spirit of Enterprise Competition (Mar 2008) (Page 18)
8. Moot Corp Competition (Apr 2008; Didn't Enter) (Page 20)

## **DESCRIPTION OF EVENTS**

### **1. ES 615, New Venture Creation (Sep-Dec 2007)**

Description: ES-615 is known informally in the Ross School of Business as the “business plan writing class.” It is a 3 credit hour, semester-long course which takes place twice per year, in the fall and winter semesters. Prof. Jim Price was the instructor during Fall 2007 when I took the course.

In the first week of ES-615, students are invited to submit project proposals and “shop” them around to their peers. As the week progresses, teams of 4-5 students each, eventually coalesce around a small set of the total projects proposed. The teams then spend the remainder of the semester building a detailed base of knowledge in the industry, technology, and market dynamics associated with their project. The twice-weekly lectures provided by the lead instructor, as well as required reading assignments, assist students in developing various portions of their projects, such as capitalization tables, market-sizing estimates, cashflow projections, etc.

I submitted the proposal for my project, ArmyProperty.com, and built a team which included four of my closest friends, whom I had gotten to know very well – and trust implicitly – during the first year of business school. My teammates included the following individuals:

1. Angelo Adams was a former Army Captain, whom I never knew during my military career but who worked very closely with a good friend of mine during an Iraq deployment in 2003-04. Angelo and I met in June 2006, during the summer before business school began, and became good friends. He and I served as President and Vice-President, respectively, of the Ross MBA Armed Forces Association. We also worked together in the Black Business Students' Association (BBSA). His role in the ArmyProperty.com team centered on developing a detailed understanding of the defense-contracting industry. In later months, following the conclusion of ES-615, Angelo helped the team during the Michigan Business Challenge, and traveled with us to Cincinnati to take part in the "Spirit of Enterprise" competition.
2. Ambra Heard was the Vice President of the BBSA. I knew her very well, due to my involvement with that group, and she became the "market dynamics" expert on the team. After ES-615 ended, Ambra took part in Rounds 2, 3, and 4 of the Michigan Business Challenge and traveled to Cincinnati for the "SOE" competition.
3. Ben Kozma occupied the role of "team financial-modeling expert." I had known him since the week business school began, and we were interns together at the Boston Consulting Group in the summer of 2007. He was immensely talented in all areas of forecasting and modeling, and had full responsibility for production of all financial estimates. Ben also took part in Rounds 2, 3, and 4 of the Michigan Business Challenge, and assisted us immeasurably in building our presentations, but did not travel with us to the Spirit of Enterprise competition due to prior commitments.

4. Parren James was another individual I knew from our work together in the BBSA. He was a former engineer at Sprint, and a successful entrepreneur in his own right. Parren assumed responsibility for analyzing the competitive landscape, benchmarking possible competitors, and developing scenarios for strategic exits.

The team quickly developed a very good working relationship, and we were blessed by a lack of interpersonal pitfalls, commonly experienced in teams of this variety, whether from ego issues, incompatibility, backstabbing, or any other form of one-upmanship. We remain close friends to this day.

Each team had the opportunity for two formal meetings with the instructor, approximately one-third and two-thirds of the way through the semester. During these meetings, the teams had the opportunity to solicit and receive detailed guidance from the instructor regarding progress to date, and future requirements.

The first major requirement, the “Building Blocks” document, was due at the end of October, approximately halfway through the course. Our submission totaled 28 pages in length, and included the following elements:

- A. Industry Analysis, including 5-forces analysis (completed by Angelo Adams)
- B. Venture Definition, including feature / functionality description (Sherman Powell)
- C. Market, Customer, and Distribution Analysis, including formal market-sizing estimate (Ambra Heard)
- D. Financial Analysis and Model, including projected (5-year) income statement, balance sheet, and cash flow statement (Ben Kozma)
- E. Information Sources, Follow-Up Needs. Basically a statement of future requirements.

The Building Blocks assignment was intended as an exercise in rapidly building expertise in our project's subject matter, in some cases from a standing start, and to that extent it was useful, particularly for Ben, Parren, and Ambra, who had no military experience. I also believe that the Building Blocks document was intended as a rough draft of the business plan, and to that extent, it was a mixed success. At the end of the semester, when we wrote the formal business plan, we found ourselves completely rewriting parts of the Building Blocks document, while in other areas such as the financial model, we were able to make relatively minor changes based on updated information and estimates.

The final work products consisted of a formal business plan and an investor presentation. The business plan was submitted on the last day of the semester, and the presentations took place during the final week of class. Each team had the opportunity to pitch its project to a group of "investors," meaning our classmates, and receive their feedback in the form of "Jim Bucks," which were imaginary investment dollars that each student could allocate as desired among the other students' teams.

Total Payoff: There were no financial incentives or rewards associated with ES-615, other than the academic grades that the students received at the end of the course. However, in addition to formal grades, each team garnered a share of "Jim Bucks," and in this manner, the presentations could be ranked in relation to one another, with the top 3 teams receiving public recognition. The ArmyProperty.com team was ranked in the top 3 finishers, tied for second place overall.

Probability of Success: Approx 1 in 25 for first place in the "Jim Bucks" competition; Approx 1 in 8 for second or third place. Other than the top 3 teams, no others received recognition.

Applicability of work products to other events / programs: MODERATE. Our team's financial model survived largely intact as we moved into other events and competitions, although in some ways we had to build it out further, based on feedback received in early rounds of the Michigan Business Challenge. However, our business plan wound up

being extensively rebuilt (almost from scratch) between the end of ES-615 in mid-December 2007, and the deadline for the Michigan Business Challenge's semi-final round on February 1<sup>st</sup>, 2008. Feedback from the instructor, as well as further reflection by team members, caused us to decide on a complete rewrite. In addition, our investor presentation wound up being extensively revised to meet the demands of Rounds 2, 3, and 4 of the Michigan Business Challenge (in January and February, 2008). Partly, this was due to the fact that each round had different time constraints; it would have been impossible, for instance, to present the entire ES-615 slide package in the time allotted in round 2 of the MBC.

All of these things being the case, it is certainly true that ES-615 provided our team with an opportunity to coalesce as a group, and attack some the same requirements we would eventually face in the formal competitions we entered.

It could certainly be argued that the time invested in the ES-615 work products was "wasted," because we ended up having to revise or rewrite them later; however, it is likely that we would not have performed nearly as well in future events, if we had not undergone an entire semester of thinking, planning, producing, and presenting the work that we conducted during ES-615.

Time Commitment: EXTENSIVE. In addition to 3 hours of classroom time per week over the course of an entire semester (14 weeks), certain portions of the class required numerous team meetings, such as the planning and preparation for the Building Blocks assignment, the Investor Presentation, and the business plan. The team spent numerous long nights together during the semester's final weeks.

Discussion / Recommendation: It is difficult to state definitively whether the end result of the ES-615 "experience" was justified by the time that our team invested in the course. Many students who enrolled in the class simply saw it as a low-risk opportunity to learn about the business-planning process, while earning credit toward graduation from the MBA program. Others were somewhat more serious about pursuing entrepreneurial



careers, and they applied concerted effort toward their team projects. Still other teams, in fact, were intimately enmeshed in the details of actually starting their businesses while in school, and for them, the class represented a “win-win” opportunity, as it gave them the chance to earn academic credit in the conduct of work that they intended to put to immediate use.

The goals and motives of my ES-615 project team can be said to have encompassed all three of these alternatives. By the time I enrolled in the course, I had already entered into a partnership with a former classmate from my days as an undergraduate at the MIT Sloan School of Management, and we were actively building the business. I saw ES-615 as a chance to “do the things I was going to have to do anyway.” My teammates, on the other hand, had each developed their own individual plans for future careers, mostly centering around corporate employment, and they did not intend to become financially or otherwise involved in the company. For them, the project represented the first scenario described above: a chance to be involved with a start-up company at the “ground level,” without undertaking the personal and financial risks associated with more intimate involvement.

In some ways, the diverse set of incentives and expectations associated with our team’s various members and personalities, could have resulted in interpersonal friction and conflict. However, this did not happen. I attribute our relatively harmonious working relationship to the fact that there were no “mixed messages” regarding goals, expectations, and benefits. In addition, as the team’s leader, I had spent many months developing personal relationships with my teammates, and we entered the process with a strong degree of mutual respect. I knew and trusted each of them, and in the end, that was good enough.

## **2. Dare to Dream program (Sep 2007-Apr 2008)**

Description: The Dare to Dream (“D2D”) program is administered by the Zell Lurie Institute, and takes place twice per year. There are three levels of funding offered (with

corresponding levels of work output required): “Opportunity” (\$500), “Assessment” (\$1,500), and “Integration” (\$5,000-\$10,000; later renamed “Design”). Students have the option of applying for these grants in sequence, each year, or skipping directly to the more advanced levels, depending on their business concepts’ state of development.

I applied for the largest possible grant, mostly because it offered the largest potential payoff, and because I had developed the project to the point where I was sufficiently comfortable generating and submitting the required “feasibility study” in order to receive the grant.

Total Payoff: \$10,000

Probability of Success: Approx 35% selection rate for entry into the program; completion depends on individual motivation and effort.

Applicability of work products to other events / programs: MODERATE

1. 5-6 page “feasibility study” (produced in September 2007) became the basis / starting point for business plan in ES-615
2. Final business plan (final work product, submitted April 2008) was also my team’s winning Michigan Business Challenge business plan.

Time Commitment:

SMALL, based on ability to apply work products from other events toward Dare to Dream program’s requirements.

EXTENSIVE, if “D2D” program is not combined with other events such as Michigan Business Challenge and ES-615.

Discussion / Recommendation: The Dare to Dream program is probably the best program in existence within the Ross School of Business, for individuals seeking a “starting point” to launch their businesses. It has multiple levels, representing an

understanding and acknowledgement of the fact that people may enter the process at different stages of development. Critically, it imposes structure, timelines, and formal requirements onto a process that is inherently chaotic and difficult to move forward at a deliberate pace. Most importantly, it allows individuals the greatest probable chance of success, compared with “elimination-style” programs such as the Michigan Business Challenge. If a team can produce a sufficiently persuasive entry during the selective phase, it can be virtually guaranteed to receive the financial reward associated with whatever “level” of the program which it entered, so long as the team has the perseverance to complete all required work products.

### **3. Entrepreneur’s Boot Camp (November, 2007)**

Description: The Entrepreneur’s Boot Camp (“EBC”) is planned, organized, and executed by the Ann Arbor “SPARK” organization, a local agency that helps local entrepreneurs build their businesses. The “hands on” portion of EBC takes place over a weeklong period, and involves full days of classroom instruction, coaching sessions, and opportunities to present elevator pitches and other material to small audiences. Several weeks after the formal portion is over, there is a “graduation” event of sorts which takes place at “SPARK Central” in Ann Arbor, and allows all EBC participants to present a detailed executive summary, supported by slides, to the other participants as well as a panel of judges. From the presenters, an overall “top performer” and “most improved” are selected.

I received an invitation from the ZLI staff to take part in EBC in late September or early October 2007. I was in the earliest stages of building, energizing and focusing the ES-615 project team, and was very busy with the other classes in which I was enrolled. I was also dabbling in a few recruiting opportunities that had presented themselves, and of course trying to launch the business. Therefore, I viewed the opportunity somewhat warily, but reluctantly decided to take part.

During the first morning of the first day of the classroom portion of EBC, I was called upon to present an “elevator pitch” to the assembled group of students and judges, the first time I had ever done such a thing. This in itself was a very valuable experience. In addition, the coaching sessions represented my first opportunity to network with the large community of local businessmen and entrepreneurs, and build connections that would prove invaluable in future months – including, for instance, the Michigan Business Challenge, where I was lucky enough to have a personal relationship with at least one judge in each of the four elimination rounds.

I was paired with two mentors, Chuck Salley and Kurt Riegger, to prepare for the presentation phase of the graduation evening. Chuck and Kurt provided me with numerous chances to rehearse my presentation, and they provided detailed feedback and suggestions for improvement. When I spoke at the graduation evening, I was immeasurably improved from just weeks before, and I gave what was at the time the most extensive and forceful presentation about the business, to the largest group thus far, which ultimately earned me the (somewhat back-handed) title of “Most Improved.”

Total Payoff: None, other than the unfortunate distinction of “Most Improved.” The team which won “top performer” honors, garnered a prize package which consisted of services such as an extensive “incubation” session at the SPARK headquarters.

Probability of Success: 5% probability of earning either “top performer” or “most improved” honors.

Applicability of work products to other events / programs:

1. Executive summary (written): Re-used it repeatedly, in many other contexts.
2. Quick pitch: Enormously useful; I was able to adapt the format provided by EBC organizers, to numerous other contexts.
3. Formal presentation: Very useful. The presentation slides did not ultimately survive intact, and were not immediately applicable to other events or programs,

but the opportunity to present to a large audience, as well as the planning / preparation / rehearsal process, were highly valuable.

Time Commitment: MODERATE. The impact of missing 3-4 days of classes at the height of the semester is difficult to overstate. Students considering taking part in the EBC should ensure they have made arrangements with professors well in advance, to make up for lost time and classwork.

Discussion / Recommendation: Overall, I would rate the EBC as a valuable experience, but when one considers the “opportunity cost,” many students will ultimately decide to pass it up. It is entirely possible to replicate the experience gained during EBC through participation in ES-615 and other events.

#### **4. Michigan Business Challenge (Dec 2007-Feb 2008)**

Description: The Michigan Business Challenge is the University’s premier annual business-planning competition. It takes place in the late fall and early winter each year, and is administered by the Zell-Lurie Institute.

32 teams entered the 2007-2008 MBC, and one team was ultimately declared the winner. There were four elimination rounds, starting in December, with increasing difficulty at each stage. In Round 1, in December 2007, I presented an executive summary and “quick pitch.” Half of the 32 entrants were eliminated in this round. Round 2, in January 2008, was more-involved, and included a question-and-answer session with a panel of judges. Sixteen teams entered Round 2 and eight emerged from it. The final two rounds took place on Friday, February 21<sup>st</sup>, 2008, with four of eight teams eliminated in the semi-finals, and the remaining four continuing to the final round. The final round was certainly the most difficult, as it involved the briefest of introductions (six minutes of uninterrupted presentation) followed by a continuous back-and-forth discussion with the judges.

I enrolled in the MBC as an individual in late fall 2007, and completed Round 1 by myself. I was joined in January by the full ES-615 team for the second, third, and final rounds. Ultimately our team succeeded in winning the MBC.

Total Payoff: \$28,500 – broken down as follows:

- Round 1: \$500
- Round 2: \$1,000
- Round 3: \$1,000
- Round 4 (Grand Prize): \$10,000
- “Best Presentation” Award: \$5,000

Probability of Success: 1/32

Key Takeaways:

2. Genuinely “Investor-ready” business plan and presentation
3. Tremendous professional networking opportunities
4. Opportunity to present in depth, for extended durations, to dynamic, sometimes “hostile” audiences
5. Increasing complexity of work requirements over time, starting with “intent to compete” and concluding in a 30-page business plan and extensive investor presentation.

Applicability of work products to other events / programs: EXCELLENT

1. Dare to Dream Integration Grant
2. Spirit of Enterprise Business Plan Competition (Cincinnati)

Time commitment: EXTENSIVE

Discussion / Recommendation: The Michigan Business Challenge was by far the most intense of all competitions in which my team and I involved ourselves, during the 2007-08 academic year. Our team spent many long nights preparing the business plan (which, as discussed earlier, we completely rewrote before submitting) and multiple presentations which were required at each step along the way. We conducted numerous full-length rehearsals, for various audiences of advisors and coaches. We attended seminars held by ZLI; watched videotaped recordings of prior years' competitors; and prepared extensively for the detailed questioning which we knew we would face from the judges.

When one considers the fact that only one team is judged the “winner” of the MBC, the question that comes to mind is whether participation in the competition is justified by the expected outcome, given the commitment required to put forth a winning effort. This is certainly a valid question; and for the teams which did not win, it is arguable that there were probably many better uses of their time, than generating and presenting the materials required by the MBC. Indeed, at more than one point, I doubted the wisdom of taking part in such a demanding event. The thought process basically came down to: *“Why am I spending so much time talking about the business, instead of building and running it?”*

Ultimately, I never answered this question, and I allowed my team's momentum through the elimination rounds to become a “self-justification” for continued effort and forward progress. As discussed earlier, I was only given the invitation to present to Mr. Zell in April, 2008 because my team had won the Michigan Business Challenge in February. That being the case, I think it is certainly valid to conclude that the extraordinary long-run payoff, is and was sufficient to overcome the challenges created by the long odds of success in this competition. Students who are preparing to enter the MBC should be under no illusions as to the effort that they will be required to expend during the course of the competition, and must ensure that their commitment to their teams' success is total.

##### **5. FuturTech Conference Quick Pitch Competition (January 25, 2008)**

Description: The Quick Pitch Competition (“QPC”) takes place annually, usually in early winter, during the FuturTech Conference, a university-wide event which, as its name suggests, is intended to highlight emerging technologies and high-tech career opportunities. The QPC is a very minor portion of the overall event, and consumes a total of approximately one hour in the course of an afternoon. Each of 10 teams is given an opportunity to present its concept (without slides) for 3-4 minutes, followed by another few minutes of questions from judges. A winner is announced later in the afternoon.

My preparation for the QPC consisted of several rehearsals (mostly to ensure I had selected the appropriate quantity of material to fit the timeline). I did not bring team members into the event.

Total Payoff: \$1,250 (1<sup>st</sup> prize), \$500 (second prize), \$250 (third prize). I was selected as an “honorable mention.”

Probability of Success: 30% to place in the top 3; 10% to win the event.

Applicability of work products to other events / programs: MINOR. Since there were no requirements to produce slides or written products, there was almost zero “work output” that I could carry forward to future competitions.

Time Commitment: EXTREMELY MINOR. Several rehearsals of the “quick pitch” are all that is required to prepare for the QPC. The conduct of the event requires only a few minutes during one afternoon.

Discussion: Essentially, participating in the QPC is a zero-risk event. Because of the very minor nature of the requirements, my decision to participate was a “no brainer.” I took part in the QPC on a whim, mostly after being encouraged by peers and classmates. Given the very limited upside, one might question the utility of the event. Certainly it can be argued that there is no “unique” value added. However, I felt that it was still a



valuable event, because it represented yet another opportunity to present the company in a competitive, time-constrained setting, and to witness my peers (and MBC competitors) in action, as well as answer questions from potentially hostile judges. In that manner, coming very soon before the final two rounds of the Michigan Business Challenge, it was helpful. As it turned out, I wound up having the opportunity to answer quite a few “hostile” (borderline sarcastic) questions from the panel of judges, and to the extent that I had the opportunity to practice portraying a calm, composed, professional demeanor, the QPC was a successful event.

## **6. Frankel Fund (Jan-Apr 2008)**

Description: The Frankel Fund is a self-described “pre-seed investment fund” which is administered by the Zell-Lurie Institute and is largely run by students, with the assistance of various advisors. Professor Thomas Porter is the faculty member most directly responsible for the fund.

The Frankel Fund has undergone several stages of development, and by the Fall of 2007, it was at the point where it was seriously interested or actively investing in several companies. Several teams had developed within the fund’s organizational structure, each centered on a particular industry (generally divided between the pharmaceutical / biotech, and information-technology / electronics fields). I made the decision to apply for an investment with the Frankel Fund after speaking with Punit Chiniwalla, one of the students most actively involved with the biotech team.

I submitted the required application on January 10<sup>th</sup>, 2008. It was ten pages in length, and consisted of detailed answers to specific questions provided by the Frankel Fund. Because I had just completed ES-615, I was able to “recycle” much of my work from that class to answer the Frankel Fund questions; however, in some areas I had to generate answers from scratch, or alter previous work.

I was contacted in mid-January and informed that the fund's leadership was impressed with my application and was interested in moving forward. What followed was a series of interviews, requests for information and clarification, and ultimately a formal presentation on February 12, 2008 to an audience of approximately 25-30 students, faculty, and advisors. Coming as it did 10 days before the final round of the Michigan Business Challenge, I did not need to prepare extensively for the presentation, but was instead able to "recycle" slides from our MBC slide decks.

In late February or early March, I was informed that the fund had decided to enter the due diligence process, and I underwent an extensive series of meetings and discussions with a small team led by a student named Alex Robart. In the course of this process, I compiled a very large number of documents, some of which I created for the first time, centering around some of the same material covered in the Michigan Business Challenge (market sizing; expected penetration / adoption; cash requirements, etc) as well as legal and financial documentation.

In late March or early April, 2008, Mr. Robart informed me that the Frankel Fund had decided against making an investment in the company, largely because of a concern on the part of some team members that I was somewhat less than 100% committed to the company's success, as evidenced by a full-time job offer that I was holding at the time, from one of the companies that had employed me the previous summer.

Total Payoff: Typical investments are in the area of approximately \$50,000. These tend to consist of convertible-debt notes, with associated rates of interest, as well as warrants and options for conversion into common or preferred stock.

Probability of Success: Approximately 3-5% during any given year.

Applicability of work products to other events / programs: VERY GOOD. The "added" work I performed for the Frankel Fund consisted of updating and refining the forecasts and estimates that my team had generated for the Michigan Business Challenge and other

competitions; as well as generating certain financial and legal documents. While the updated forecasts were of arguable value, the corporate documents were absolutely essential as I continued to build and operate the company throughout the remainder of the spring and summer of 2008. When I entered the due diligence phase with Mr. Zell's company in late fall, 2008, I was required to call upon almost all of the documents that I had first created in support of the Frankel Fund's requirements.

Time Commitment: MODERATE, consisting of approximately one dozen meetings with various small groups, as well as one 20-minute slide presentation to the assembled Frankel Fund team. If I had not already produced a business plan, I would have been required to do so during this process.

Discussion / Recommendation: The Frankel Fund is a valuable opportunity for students who have launched, or are about to launch businesses, and who are seeking early-stage capital to support approximately the first six months of growth. My interactions with the fund's team members – most of whom were fulltime students – and overall opinion of the process, were entirely positive. I felt that the exercise was somewhat more “real-world focused” than some of the competitions I had undertaken, and in that regard it helped me to more fully flesh out my projections and cashflow requirements. While I was not ultimately successful in securing an investment from the fund, I believe that I benefited substantially from the various opportunities that I was granted to discuss the company's future growth in a serious context with a group of “real” investors, as opposed to “judges.”

## **7. Spirit of Enterprise Competition (Mar 2008)**

Description: The “Sprit of Enterprise” (“SOE”) competition is one of several dozen intercollegiate business-plan competitions held each spring. It is hosted by the University of Cincinnati. Thirteen teams entered the Spring 2008 competition, each one representing a different university. Most of the “Big 10” universities were represented, along with schools from as far away as California. There were two elimination rounds.

In the first round, each team presented for approximately fifteen minutes to a panel of judges, and answered their questions. Nine teams were eliminated and four proceeded to the second (final) round. In the second round, a more extensive presentation and discussion took place, totaling approximately 45 minutes in duration, with a different panel of judges. The judges then deliberated and announced a winner. Unlike the Michigan Business Challenge, the entire competition took place over a 24-hour period. It also included a “limousine round” in which the teams that were not selected to proceed to the final round, were offered the opportunity to present their businesses to Venture Capital executives over the course of a 30-minute car ride.

Total Payoff: \$10,000 (Grand Prize)

Probability of Success: 1/13.

Time Commitment: MINOR. Because we had already produced the required documents during the course of other programs, my team essentially spent zero time fine-tuning our business plan for the SOE competition. In addition, because the SOE competition took place only 14 days after the completion of the Michigan Business Challenge, we did not conduct any rehearsals, or in any way alter our presentation / competition strategy. In fact, the most significant expenditure of effort was involved in deconflicting and coordinating our travels to and from Cincinnati, with the other activities in which we were participating during Spring Break of our second year in business school.

Discussion: The SOE competition was a valuable exercise, and was certainly worth the time and effort that our team expended on it, in view of the financial reward. However, there was certainly no guarantee as to the outcome, and it is not clear that there was any overall benefit toward the goal of obtaining meaningful start-up funding for the company. Having succeeded in a significantly more-difficult competition (the “MBC”) several weeks prior, our team was at a high state of proficiency and was fully prepared to dominate the SOE competition. To that extent, this competition represented yet another opportunity to present the business to a new and unfamiliar audience in a time-

constrained environment. For a team that was less well-rehearsed, the competition would have represented a more challenging learning event.

Key Takeaways:

1. Opportunity to present the business to a new, unfamiliar audience
2. Professional-networking opportunities

Applicability of work products to other events / programs:

1. Michigan Business Challenge: The business plan and investor presentation that my team submitted for the “SOE” Competition were identical to the products we generated for the final round of the MBC.
2. Dare to Dream program: The “SOE” business plan was identical to the one produced for the “D2D” program.

**8. Moot Corp Competition (Apr 2008; Didn't Enter)**

Description: The Moot Corp competition is held annually in April, in Austin, Texas. It is hosted by the University of Texas. It represents the “premier” intercollegiate business plan competition, and attracts teams from across the country. My team earned entry to the competition in two ways, by virtue of winning the Michigan Business Challenge as well as the Spirit of Enterprise competition (one or the other would have been sufficient), and made initial preparations to take part. However, for several reasons, we declined to take part in the Moot Corp competition.

First and foremost, my wife was in her eighth month of pregnancy with twins, and it would have been inadvisable to travel as far away as Austin, due to the possibility of early delivery or complications. Additionally, by that point (April, 2008) our team had been together and working intensely for over seven months. We had achieved tremendous success, but were reaching the point of “competition burnout”, and team

members were becoming consumed with the challenge of finishing coursework and preparing for graduation. There was a general feeling that we had met or exceeded all expectations we had set for ourselves, and the potential payoff earned by re-focusing and re-energizing ourselves to prepare for yet another intense competition might not prove to be worth the sacrifices that we would be required to undertake in the other areas of our academic and personal lives.

At one point, the team entertained a discussion regarding the feasibility of entering the competition without me, due to my requirement to remain in or near Ann Arbor throughout April. However, due to the combined weight of the circumstances laid out above, the team ultimately declined to participate in the Moot Corp competition.

Total Payoff: Zero; did not compete

Probability of Success: Approx 1/25, depending on the exact number of competitors

Applicability of work products to other events / programs: Unknown

Time Commitment: MINOR. Similar to the Spirit of Enterprise competition; two days of travel; two days of events.

## **CONCLUSION**

This report has presented, in narrative format and chronological order, a history of my involvement with several of the avenues available for students at the Ross School of Business who are seeking to start businesses while enrolled in the MBA program. It is my hope that future students will find it useful as they navigate the process.

If I could “do it all over again,” I am not certain that I would change any of the decisions that I made along the way. Every program and event in which I immersed myself,

presented unique opportunities to grow my capabilities and “move the ball forward” toward my ultimate goal of building and funding my company.

If I could provide a note of caution to students who are considering following this path, I would warn them that it is virtually impossible to successfully launch a company while in business school. From my experiences I have come to believe that the Ross MBA program is focused, by and large, on preparing students for gainful employment in the “middle management” of corporate America: marketers and brand managers; finance professionals; corporate strategy consultants; and operations experts. The first-year curriculum and MAP program, along with the tightly regimented “on-campus” recruiting process, are geared toward securing the greatest possible number of employment opportunities for the greatest possible number of students. This is an entirely admirable goal, and the business school performs a tremendous and successful job in this area, despite the difficulties imposed by economic conditions.

Students seeking to launch their businesses while enrolled in business school will need to generate and sustain a tremendous level of commitment, passion, energy, and self-discipline, to avoid being “overcome by events” and swept into the conventional academic and recruiting “pipelines.” The only way to do this, based on my experience, is by ruthlessly pushing back against any and all obstacles, including unnecessary academic or curriculum requirements; by enrolling in independent-study programs, where possible; by opportunistically accumulating academic credit while building the business (ES-615, for instance); and by selecting a set of entrepreneurial events and programs that can serve to impose structure and discipline on the process of building a business. If I could pick only two of these events, they would be the Michigan Business Challenge and the Dare to Dream program. If I could pick only one, it would be the Michigan Business Challenge.

Finally, and most importantly, students must select as teammates the few classmates who share their passion, energy, and commitment to success. There is absolutely no substitute for a self-reinforcing, self-sustaining, self-motivating team of peers to carry a new business through to success. No one can do it alone.