Venture Out: An Entrepreneurial Introduction to Business

Monty L. Lynn
Abilene Christian University
lynnm@acu.edu

NOTE: *Appreciation is expressed to David Perkins for his encouragement in developing this paper, to Kathy Garison and Mark Phillips for their recent partnership in administering the program, and to hundreds of students over the past decade who have made Venture Out successful.*

ABSTRACT: *Venture Out is a semester-long project which introduces elementary business skills and concepts from an entrepreneurial perspective. Student teams research and select a product to sell to students, create a mini-business plan, and present their plan to a board of judges from the business community. If their request is approved (up to $500), teams purchase and sell their product. After repaying the loan, teams donate their profits to a beneficiary and they reflect on their performance and lessons learned. Venture Out benefits students, the academic business program, and the community in tangible ways. Venture Out and other classroom-as-organization (CAO) programs are described.*

INTRODUCTION

Venture Out is a semester-long activity that reinforces learning through the launching and running of team-run micro-businesses. Although a Venture Out type experience can be inserted into a business curriculum in various places, we have incorporated it into our Introduction to Business course to provide an early, functionally integrated, active-learning experience. Others incorporate a similar experience as an upper-level elective once students have a foundation in marketing, management, finance, and other business disciplines. As we have administered it, Venture Out requires no funding and minimal staff support. It provides an opportunity to apply and integrate basic business knowledge as well as delve into the practical details of launching a new venture. Venture Out showcases the business program to community leaders and generates funds which can be shared with the academic institution and broader community. We provide background on the origins and rationale for these types of educational activities and describe our institution's approach to Venture Out.

BACKGROUND

Venture Out is considered a classroom-as-organization" (CAO) approach to learning business because it entails launching and running organizations in the context of a academic course (Meyer & Gent, 1998). Several CAO efforts trace their inspiration to Miller (1991), who crafted and refined a classroom-as-organization management course at Bucknell University in the early 1980s. CAOs have the advantage of offering active learning with closer supervision and clearer learning goals than most practica or internships (Boud & Solomon, 2001; Ryan, Toohey & Hughes, 1996), and they provide more realism than some business simulations. As summarized by Cohen (1993, p. 88):

"Our objective is not to simulate an organization but rather to create genuine organizational issues for students, to put them in the position of an organizational member who must deal with such problems as how work gets allocated; how one works with others who bring different expertise to tasks; how one influences and motivates subordinates, peers, and superiors; how one copes with ambiguity in solving difficult tasks that do not have any obviously correct single answer; how disagreements among coworkers can be resolved; and how decisions will be made."

Many of the early CAO approaches were designed as a vehicle for exploring organizational behavior (e.g., Balke, 1981; Greenhalgh, 1979), often under assumptions that favored student-directed experiential learning within organizational ambiguity (Ramsey and Fitzgibbons, 2005). Miller and others (e.g., Barry, 1990; Goltz, 1992; Putzel, 1992) extended the CAO approach to include business functions while emphasizing behavioral dynamics. As Miller notes, the CAO approach (1991, p. 152) "requires students to identify real business project customers and service project clients, to define and respond to the needs of those customers and clients, to design and deliver products and services, to negotiate with suppliers, administrative agencies and other stakeholders, to finance all company operations, and to be accountable for cash flows and company budgets.... In the process...students are required to deal with the realities of surprise, conflict, risk, and uncertainty that arise from the inevitable incompleteness of formal organization and control system designs."

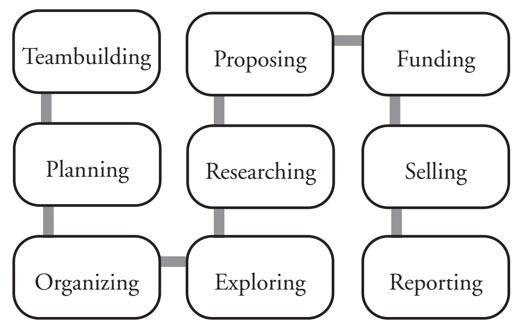
Although a CAO experience can be effectively integrated at several points, integrating it early in the curriculum makes sense for several reasons. While case studies can expose students to sophisticated dilemmas, CAO particularly well-suited to teach business basics. While not exclusively used this way, CAO approaches provide a foundation of prior knowledge onto which new abstract or detailed knowledge can be built (Entwistle & Peterson, 2005). This reflects the way in which entrepreneurs (Shane, 2000) and organizations (Cohen & Levinthal, 1990) learn and identify new business opportunities. Thus, a CAO approach models entrepreneurship and emphasizes the value and skill of learning from reflective experience. For many students, active learning enhances interest, relevance, and skill and knowledge integration, and it often results in transformational learning and memory more often than a lecture format (Goltz, Hietapelto, Reinsch & Tyrell, 2008; Kember, Ho & Hong, 2008; Trigwell, Prosser & Waterhouse, 1999; Tobias, 1994). Experiential learning provides a space for students to be simultaneously challenged and supported (Kolb and Kolb, 2005) and it can enhance their self-awarenes an social awareness, which serve as a foundation for self-management and relationship management (Sheehan, McDonald, and Spence, 2009). For all these reasons, we incorporated a CAO approach into our Introduction to Business course and named the experience, Venture Out. The next section describes details of our approach.

VENTURE OUT

Structure

Our classroom as organization experience has nine tasks, which students complete over a 15-week semester (see Figure 1). We devote each Friday class session to Venture Out and use the corresponding 50-minute sessions on Monday and Wednesday to explore fundamental business topics such as economic systems, business history, business functions, careers in business, and faith and ethics. Each week during the semester is devoted to one Venture Out task except for "selling," which is extended to four or five weeks to allow students time to sell their products. The following activities comprise each task as detailed in the Venture Out student manual (Lynn, 2008):

Figure 1: Venture Out Tasks



Teambuilding: Students divide into teams, build *esprit-de-corps*, and subdivide into three groups — management, marketing and production, and accounting and finance.

Planning: Teams write a company mission statement and set team expectations.

Organizing: Teams attempt simple market analysis and segmentation and decide upon an appropriate legal form for their company (e.g., LLC, S Corp, non-profit corportion).

Exploring: Students begin discussing possible products, suppliers, and beneficiaries. The accounting and finance group within the team develops a pro-forma budget and a team photo is planned.

Researching: The team constructs, distributes, and analyzes a market research survey in which they ask potential customers (largely, other students) about their possible products, pricing, and other relevant information such as sizes, colors, and the respondent's propensity to purchase.

Proposing: Students decide upon a product, beneficiary, and supplier after considering Better Business Bureau and other supplier considerations. They approve a company budget, choose a company name, and prepare a business plan and presentation.

Funding and Ordering: Teams pitch their business plan to a loan review board constituted by outside judges. If their plan is approved, they order the product. Team members complete an evaluation of themselves and their teammates.

Selling: During this multi-week period, teams sell their products and compare their sales performance with projections. They motivate team members and adjust their sales and pricing strategies as needed.

Reporting: Teams prepare an annual report which contains a letter to shareholders, financial statements, team and individual sales performance, group reflections about lessons learned, and minutes of team meetings.

Celebrating: Teams turn in the last of their sales revenue and their annual report. They complete a second self- and peer-evaluation.

Operations

Venture Out teams generally consist of eight students. We allow students to pair up with other students but as freshmen, few groups fill completely by self-selection. This allows us to diversify groups by gender and major. We attempt to teach high-performing team practices throughout Venture Out beginning with the setting of team expectations in the planning task. We also provide tips on team effectiveness behaviors (such as those suggested by: Alie, Beam & Carey, 1998; Oakley, Fedler, Brent & Elhajj, 2004; St. Clair & Tschirhart, 2002).

A constant challenge in Venture Out is helping students learn effective team skills rather than merely survive a group assignment (c.f., Ellis, Hollenbeck, Ilgen, Porter, West & Moon, 2003; Rassuli & Manzer, 2005; Scott-Ladd & Chan, 2008).

Half way through Venture Out, teams present their mini-business plan to a loan review board. The board is generally staffed by two guest judges and the course professor. Guest judges have included entrepreneurs, commercial bankers, recent alumni, faculty emeriti, small business development center counselors, and other members of the business community. Over fifty individuals have served as Venture Out judges during the past decade at our institution and many of them were not previously familiar with our business program. Venture Out judging provides an opportunity to build bridges from the academic to the business community.

In the loan review session, teams are allotted 15 minutes — five minutes for the business plan presentation, five minutes for the judges to ask rapid-fire questions, and five minutes for the judges to deliberate about the loan request, which may be fore up to $500. Judges call the students back into the presentation room for feedback after they have reached a decision about the loan. If a team's venture is not approved, the team is given directives for improvement and the team presents informally to the course professor after revising their business plan.

Venture Out products are charged to a university purchasing card and expenses are allocated to an account which is replenished as teams pay back their loans. Thus, no loan fund is required. (Some institutions fund their CAO programs to ensure against possible bad loans and/or avoid having a temporary negative fund balance.) As part of the business loan, students sign an agreement that they will repay the loan in full. To date, with over three hundred teams and a decade of experience, no team has defaulted. To simplify the bookkeeping for students and staff, no interest is charged against the loan and no collateral is required.

We require that at least 80 percent of each team's sales be to on-campus students, and we do this for two reasons. First, we want to reward teams with superior value propositions which is intensified by on-campus competition. Second, knowledge of the campus marketplace allows us to assess sales risk relatively well — we know the students' spending habits and competing. We have chosen not to allow teams to propose services for two reasons: We want students to feel what it is like to have to make regular sales to pay back a loan, and we want the teams to have an asset of material value to sell. If a team, for example, hosted a concert but few attendees showed up, the team and the academic program would incur greater risk. Teams generally are limited to selecting one product to sell rather than two or more different products because we believe it encourages careful market analysis and product choice. A minimum product order of near $500 is often required to reach price breaks which allow the teams to achieve a reasonable target profit.

Some teams sell their product to a club or other campus organization. In these cases, we emphasize working closely with the organization to design the product and deliver high-quality customer service. The most common products sold are tee-shirts, but other Venture Out products have included hats, car decals, sweatpants, playing cards, foam fingers, sunglasses, picture frames, air fresheners, dress shirts, backpacks, spirit towels, pocket knives, scrubs, decals, recorded music, necklaces, bracelets, socks, folding chairs, calendars, and other items.

Students are allowed to request permission to use official university logos on their products. In the process, they learn about branding and graphic design. Students inevitably learn about copyright, trademark, and social responsibility in product design and business operations as well.

Students are encouraged to turn in their money frequently to a departmental administrative assistant who serves as the Venture Out banker, and who makes purchasing card transactions and deposits, and provides a weekly report on sales for public display in class during the sales task. No other resources are required to operate Venture Out besides the willingness of the instructor and leading the effort and permission to use a purchasing card account for financial transactions. All team money is due on Wednesday of the last week of class. This provides adequate time to reconcile accounts and pursue any final questions about balances and beneficiaries. The team's annual report is due on the final day of class.

Grading

Venture Out generally constitutes a quarter to a third of the total course grade. Grading is divided between group and individual grades. The same grade is given to each team member for the business plan, annual report, and the total team profit. Individual grades are assigned for individual sales and the two peer evaluations. Occasionally we have multiplied the business plan and/or annual report by the peer evaluation score to obtain a proxy grade for an individual's contribution to the written team documents. Peer evaluations not only provide individual accountability in a team project but they provide an opportunity to discuss effective approaches to performance appraisal.

Effectiveness

Effectiveness indicators to date are mostly anecdotal. When the course is assessed, students regularly applaud the Venture Out experience. Students often include their business plan or annual report in their portfolio and list their Venture Out experience on their resume. Beyond the learning of business basics, students in Venture Out over the past decade at our institution have donated over $50,000 to local, national, and international beneficiaries and have established an endowed scholarship for students. Occasionally, a class has banded together to maximize their gift by directing their funding to a single beneficiary. Prospective students and their parents are generally enthusiastic about the idea of a freshman launching a business during their first year in college.

VARIATIONS

Several variations of the classroom-as-organization approach exist. A few past and current variations include the following:

- Emphasizing management learning, obtaining corporate funding as program support, incorporating a service project for the beneficiary, and using program graduates to coach teams (Bucknell University)

- A sophomore-level, two-semester program where students plan ventures during the first term and operate them during the second; student businesses include larger loans and off-campus business venues (University of Evansville)

- A festival sales approach where students decorate booths and sell products during a single weekend, emphasizing information systems in the business venture (University of Texas)

- Compressed venture planning and execution during a retreat-type weekend (Lipscomb)

- Integrating business core courses at the junior level with co-requisites in marketing, management, business law, and other courses (University of Oklahoma)

- Running a case analysis concurrently with the project to enrich learning during a two-semester course sequence and offering up to $3,000 in funding per team (Babson College)

- Using the experience as a major component in a one-credit freshman course and engaging Students in Free Enterprise (SIFE) members as business planning consultants (Oklahoma Baptist University)

- Integrating board presentations at the end of the project and the public vetting of projects at the beginning of the experience (Canisius College)

FUTURE DEVELOPMENTS

Venture Out has been a successful experience for students and the academic program at our institution for a decade. Possible future developments include placing a higher value on product innovation. Indeed, one student asked if his team could purchase a refrigerator for $50, repair it, and sell it for $300. We continue to learn from faculty and student perspectives like these. We have experimented with electronic tools to complete team tasks and have watched as students have found new ways of communicating and collaborating. We have relied on anecdotal evidence and previous research as indicators of effectiveness, but further testing on Venture Out may add insight on possible enhancements. The closer we can mimic business processes in a challenging but simple and supportive way, the more we believe the Venture Out will enhance learning. Thus far, it has been a worthwhile tool for learning business basics.

REFERENCES

Alie, R.E., Beam, H.H. & Carey, T.A. (1998). The Use of Teams in an Undergraduate Management Program, *Journal of Management Education*, 6, 707-719.

Balke, W.M. (1981). The Policy Learning Co-op: Treating the Classroom as an Organization. *Exchange: The Organizational Behavior Teaching Journal*, 6(2), 27-32.

Barry, D. (1990). Twincorp: Extensions of the Classroom-as-Organization Model, *Journal of Management Education*, 14, 1-15.

Boud, D. & Solomon, N. (eds.) (2001). *Work-Based Learning: A New Higher Education?* London: Taylor and Francis.

Cohen, A.R. (1993). Beyond Simulation: Treating the Classroom as an Organization. In C.M. Vance (ed.), *Mastering Management Education: Innovations in Teaching Effectiveness*, Newbury Park, CA: Sage, 87-95.

Cohen, W.M. & Levinthal, D.A. (1990). Absorptive Capacity: A New Perspective on Learning and Innovation, *Administrative Science Quarterly*, 35, 128-152.

Ellis, A.P.J., Hollenbeck, J.R., Ilgen, D.R., Porter, C.O.L.H., West, B.J. & Moon, H. (2003). Team Learning: Collectively Connecting the Dots, *Journal of Applied Psychology*, 88, 821-835.

Entwistle, N.J. & Peterson, E.R. (2005). Conceptions of Learning and Knowledge in Higher Education: Relationships with Study Behaviour and Influences of Learning Environments, *International Journal of Educational Research*, 41, 407-428.

Goltz, S.M. (1992). Practicing Management in the Classroom, *Journal of Management Education*, 16, 444-460.

Goltz, S.M., Hietapelto, A.B., Reinsch, R.W. & Tyrell, S.K. (2008). Teaching Teamwork and Problem Solving Concurrently, *Journal of Management Education*, 32, 541-562.

Greenhalgh, L. (1979). Simulating an On-Going Organization. Exchange: *The Organizational Behavior Teaching Journal*, 4(3), 23-27.

Kember, D., Ho, A. & Hong, C. (2008). The Importance of Establishing Relevance in Motivating Student Learning, *Active Learning in Higher Education*, 9, 249-263.

Kolb, A.Y. & Kolb, D.A. (2005). Learning Styles and Learning Spaces: Enhancing Experiential Learning in Higher Education, *Academy of Management Learning and Education*, 4, 193-212.

Lynn, M.L. (2008). *Venture Out: An Entrepreneurial Introduction to Business.* Southlake, TX: Fountainhead Press.

Meyer, G.W. & Gent, M.J. (1998). Organization-as-Classroom Approaches to Management Education: Taking Experimental Learning in Business Education to its Logical Conclusion. In R.G. Milter, J.E. Stinson & W.H. Gijselaers (eds.), *Educational Innovation in Economics and Business III*. Dordrecht, Netherlands: Kluwer Academic, pp. 99-113.

Miller, J.A. (1991). Experiencing Management: A Comprehensive, "Hands-on" Model for the Introductory Undergraduate Management Course, *Journal of Management Education*, 15, 151-169.

Oakley, B., Fedler, R.M., Brent, R. & Elhajj, I. (2004). Turning Student Groups into Effective Teams, J*ournal of Student Centered Learning*, 2, 9-34.

Putzel. R. (1992). "Experience-Base" Learning: A Classroom as Organization Using Delegated, Rank-Order Grading, J*ournal of Student Centered Learning*, 16, 204-219.

Ramsey, V.J. and Fitzgibbons, D.E. (2005). Being in the Classroom, *Journal of Management Education*, 29, 333-356.

Rassuli, A. & Manzer, J.P. (2005). "Teach Us to Learn": Multivariate Analysis of Perception of Success in Team Learning, *Journal of Education for Business,* September/October, 21-27.

Romme, A.G.L. and Putzel, R. (2003). Designing Management Education: Practice What You Preach, *Simulation and Gaming,* 34, 512-530.

Ryan, G., Toohey, S. & Hughes, C. (1996). The Purpose, Value and Structure of the Practicum in Higher Education: A Literature Review, *Higher Education*, 31, 355-377.

Scott-Ladd, B., & Chan, C. (2008). Using Action Research to Teach Students to Manage Team Learning and Improve Teamwork Satisfaction, *Active Learning in Higher Education*, 9, 231-248.

Shane, S. (2000). Prior Knowledge and the Discovery of Entrepreneurial Opportunities, *Organization Science*, 11, 448-469.

Sheehan, B.J., McDonald, M.A., and Spence, K.K. (2009). Developing Students' Emotional competency Using the Classroom-as-Organization Approach, *Journal of Management Education,* 33, 77-98.

St. Clair, L. & Tschirhart, M. (2002). When and Where? Facilitating Group Work beyond the Borders of the Classroom, *Journal of Management Education*, 26, 449-461.

Tobias, S. (1994). Interest, Prior Knowledge, and Learning, *Review of Educational Research*, 64, 37-54.

Trigwell, K., Prosser, M. & Waterhouse, F. (1999). Relations between Teachers' Approaches to Teaching and Students' Approaches to Learning, *Higher Education*, 37, 57-70.