

2006 Excellence in Entrepreneurship Education Awards
United States Association for Small Business & Entrepreneurship

Babson College

nominates

The Foundation Management Experience (FME)

for

**USASBE's
Innovative Entrepreneurship Education Course**
(Sponsored by SIFE)

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BABSON

EXECUTIVE SUMMARY

***It makes no sense to study business management
until you understand business creation.***

(Roger Babson, Founder of Babson College, 1917)

THE PURPOSE OF BABSON'S FOUNDATION MANAGEMENT EXPERIENCE

Roger Babson believed experience was the best teacher; thus, he “favored a curriculum that was a combination of both class work and actual business training.”¹ In the spirit of Roger Babson’s vision and the entrepreneurial foundations of the college, the Foundation Management Experience (FME) was created in 1996 to give all first year, undergraduate students an integrated view of business management. Since this time, FME has evolved into a rite of passage characterized as an intense, experiential immersion into the world of entrepreneurship.

The focus of FME is on opportunity recognition, resource parsimony, team development, holistic thinking and value creation through harvest. The vehicle of learning is a limited duration business start up steeped in entrepreneurial thinking and a basic understanding of all functions of business. Because FME is a required course, all first year undergraduates experience the entire cycle of entrepreneurship. The course is a blend of theory and practice, which forms the basis for the entire Babson undergraduate core curriculum.

PRINCIPAL STUDENTS SERVED & PRIMARY OBJECTIVES

All first year, undergraduate students are required to enroll in FME where they participate in creating, developing, launching, managing, and harvesting a new business. The overall purpose of FME is to teach students the basics of business and value creation within an entrepreneurship container. Specific course objectives include:

- Students practice entrepreneurship and generate economic and social value.
- Students understand the nature of business as an integrated enterprise and knowledge of all key business areas is essential in developing a well-rounded business aptitude in preparation for the real world.
- Students use information technology (IT) for decision making and productivity and learn that information technology (IT) is essential in supporting all areas of a business.
- Students experience social responsibility and philanthropy through the donation of their time (six hours minimum) and business profits to charitable organizations.

DESCRIPTION OF BABSON'S FOUNDATION MANAGEMENT EXPERIENCE

Each year approximately 420 first year, undergraduate students (the entire freshmen class) are enrolled in seven sections of 60 which are led by two faculty members from different management disciplines. A total of 13 faculty with core expertise in information technology, entrepreneurship, management, marketing, accounting, and finance are involved in teaching, coordinating and running the course. FME is a two semester, eight credit course (See Exhibit 1). The fall semester is separated into four distinct phases that represent the process that is used to identify the two businesses that will be launched in each FME section. In addition to the process

¹ <http://www3.babson.edu/About/History.cfm>

of FME business creation, specific business topics are covered within each phase upon which each student is tested across two exams and a final, cumulative exam. By the end of the fall semester 140 ideas (20 per section) are narrowed to fourteen business opportunities and each FME section prepares to launch and manage two businesses at the start of the spring semester (See Exhibit 2). The spring semester is reserved for implementing, managing, and harvesting the venture. Each business team receives an initial loan up to \$3000 from the College to launch and run their business which is organized like a company with a CEO and different departments managed by vice presidents. In May, all profits are donated to a community service organization chosen by the students in each business. In addition to the donation of money, each student is required to give six hours of their time working with their chosen community service organization.

Over the years, a wide array of FME businesses including both products and services has been created (See Exhibit 3). The process of developing, launching, managing, and harvesting a business creates a real world context to teach students the basics of business including accounting, marketing, sales, operations, human resources, information technology, and general management using entrepreneurship as an organizing framework. Topics are introduced in a specific sequence that maps to the start-up process. Students are exposed to topics on an “as needed” basis so that they are prepared for each stage in their start-up experience.

Fall Semester

Following a short “Introduction to Business” module, the **fall semester** is organized around four phases of the business creation experience. These phases are outlined below with content linkages.

Phase 1: Idea Generation & Rocket Pitch (Weeks 3-6)

During the fall semester, students learn and practice a variety of idea generation exercises to help them identify opportunities for new businesses. Students are organized into twenty groups of three. Their task is to develop a “Rocket Pitch” for business ideas they have generated, with the goal of persuading peers that their ideas are feasible and worth pursuing. At the beginning of week six, each team presents their rocket pitch idea using a fast-paced, rapid fire presentation format. Rocket Pitch teams utilize three minutes and three Powerpoint slides to pitch their idea. At the end of the rocket pitch event, students vote for their top five choices, and the top **nine** business ideas move forward to the next phase.

Content Linkages: The entrepreneurship model and process; idea generation; opportunity evaluation; role of information technology in business; 4Ps of marketing; introduction to financial statements with emphasis on the income statement; margin analysis; and breakeven analysis.

Phase 2: Proof of Concept (Weeks 6-8.5)

Students are reorganized into nine teams of approximately six or seven students, referred to as Proof of Concept teams. These teams collect data and information in order to prove that their business idea is a substantial business opportunity. Students conduct qualitative market research during this stage including focus groups and customer interviews, but they also begin crafting market surveys. In addition, students search for suppliers and estimate revenue, expenses, and start-up costs. At the end of week eight, each team makes a proof of concept presentation. Students invest \$100 virtual dollars across the nine business ideas, and the top **five** business ideas move on to the next phase.

Content Linkages: Target market; market research (quantitative & qualitative); data for decision making; data modeling; start-up costs; cash budgeting; group development & teamwork; individual and organizational goal setting.

Phase 3: Business Plan (Weeks 8.5 – 11)

Students are reorganized into five teams of twelve students now referred to as Business Plan Teams. These teams collect more detailed information, further analyze market research data, and develop financial projections. They disseminate market surveys to a minimum of 100 potential customers in the identified target market and continue to collect qualitative information via focus groups or interviews. Additionally, pro formas, start-up costs, supplier quotes, and marketing plans are finalized. This phase culminates with an extensive business plan presentation outlining why the idea is an opportunity, how it will be executed, and the projected profitability of the venture. As in phase two, students invest virtual money and the top two ideas become the **two** businesses to be executed in the spring semester.

Content Linkages: Pro forma income statements; recording accounting transactions in order to create an income statement, balance sheet, and statement of retained earnings; leadership versus management; web development and strategy; and e-commerce.

Phase 4: Request for Funding and Action Plan for the Spring Semester (Weeks 11 – 14)

Students are reorganized into two businesses of 30 students, which translates to fourteen business across seven sections of the course. Each business designs their own organizational structure and the top management team is elected. Traditionally the top management team includes a CEO, CFO, VP of Operations, VP of Marketing, VP of Sales, VP of Human Resources, VP of Communication, VP of Information Technology, VP of Operations, and VP of Community Service. Those students not elected to the top management team will filter into departments as employees. Each has a specific function and job description developed by the students. The organization of and number on the top management team varies depending on business type and team decisions on structure and design. A final presentation is given by each business that highlights the organization design, capital needs to start the business, and an action plan for the spring semester. Each business can request up to \$3,000 in start-up capital. Once the request is approved by the FME faculty, Babson College will give each business a loan, which is ultimately paid back to the college from the profits generated by the businesses.

Content Linkages: Organization structure and job design; project management; putting information technology to work in an organization.

Spring Semester

The **spring semester** revolves around execution and management. Weeks 1-12 are devoted to business operations. Every week each business is required to “report out” during a semi-formal presentation to the teaching team in each section about the progress of the business against goals and key financial indicators such as sales and profit (or loss). An example of weekly reporting guidelines can be found in Exhibit 4. Whereas content in the fall semester is organized by phase of the business creation process, content in the spring semester is organized around four central themes (not sequential) that are outlined below.

Theme 1: Managing People

Given the size of the FME businesses, managing people and conflict is an important part of the business experience. Each business develops and implements a 360° performance appraisal (PA) system and four rounds of evaluations are conducted through the spring semester. The PA system is an important tool used by faculty to grade FME business performance. The human resource department is responsible for collecting data and feeding it back to employees, managers, and faculty. Thus, content taught in this theme includes conflict management, performance appraisal, and IT support for performance appraisal data collection, analysis, and dissemination.

Theme 2: Customer Relationship Management

All FME businesses have a customer interface, whether the business is selling to students or other customers off campus. Each business develops and organizes a system for developing, distributing, selling and servicing customers. Thus, content taught in this theme includes sales and promotion, personal selling, customer service, and creating and building a CRM infrastructure.

Theme 3: Managing Resources

Managing resources regardless of venture size is an important lesson in the business world. It is recognized that both people and customers are considered resources, but this theme emphasizes managing tangible assets such as inventory, receivables, and cash. Thus, content taught in this theme includes financial analysis, inventory management, recording accounting transactions, establishing processes for controls, IT application requirements, IT support for financial analysis, and IT support for inventory management.

Theme 4: Social Responsibility

Social responsibility and ethics are an important theme in FME. Every FME business contributes a minimum of 180 hours (6 hours per student) to a community service organization. This requirement is a key emphasis for the core learning of all students at Babson College consistent with our mission. We believe students must understand the socially responsible component of business by giving back and participating in their local communities.

The FME businesses operate for twelve weeks in the spring semester. The final two weeks are reserved for closing down the businesses and preparing for the final presentations called “FME Reports to the Community.” FME classrooms are open to the community and all students, faculty, and staff are invited to attend the celebratory presentations akin to creative story telling rather than formal business reporting. Students present their reflections on the FME business experience, share outcomes, and discuss highlights and lowlights. The final step is their donation of all profits to a charity of the students’ choosing, typically the organization where student donated hours of their time over the course of the semester.

FME INFRASTRUCTURE: SOURCES OF FUNDING & SUPPORT

Babson loans each business up to \$3,000 for start-up activities. However, the College’s support far exceeds its financial support for the FME businesses. A high level of commitment, coordination, and communication is demanded by multiple parts of the college in order to effectively run the FME course (See Exhibit 5). Avenues of support include:

- *Babson Faculty*: Each section is taught by two faculty members. Currently 13 different faculty members with core expertise in six business disciplines teach FME. The faculty meets regularly to plan course content, delivery, and policies.
- *Academic Services Office*: Handles logistics of the FME bank and coordinates business start-up and closing activities. This office is the central artery of the FME business operation and works closely with the faculty to establish policies and procedures that govern operations.
- *Bernon Center for Public Service*: Coordinates all logistics to support the community service component of the program, which includes mentoring students and maintaining or developing relationships with local organizations.
- *Office of Campus Life*: Approves flyers or other posted advertisements, coordinates the scheduling of sales carts used in the student center, and organizes student access to office and inventory storage space.
- *Financial Affairs & Purchasing*: Creates a secure financial environment and assigns each business an internal account number that is linked to the purchasing cards. This office receives deposits from the FME bank housed in Academic Services, receives online charge payments manages sales tax issues, conducts audits, and issues weekly financial reports to CEOs, CFOs and faculty.
- *FME Mentors*: Past FME students are hired as TAs and consultants to the FME businesses (2 per section).
- *Information Technology & Services Department*: Helps student gain access and set up an e-commerce gateway for those businesses wishing to sell product on the Internet.
- *Public Safety Department*: Provides police protection for on campus events when needed and van certification for students who wish to use Babson owned vans.
- *Alumni Office*: Works with students to find channels of product distribution to alums, either by purchasing products for alumni events or by making alumni events open to the FME businesses.
- *Media Lab*: Give students access to video equipment to film commercials, tape presentations, or simply archive key business activities.
- *College Marketing*: Assists students with businesses that involve the use of the college logo or other artwork related to the college. They have been used as design consultants for some FME businesses.
- *Document Center*: Offers reduced pricing to students for copying and other printing needs.
- *Speech Resource Center*: Offers presentation workshops as students prepare for weekly presentations and the final reports to the community.
- *College Attorneys*: Offer assistance when deemed appropriate by the faculty or administration.
- *Other*: Babson's Human Resource Department has conducted conflict management sessions outside of class; Facilities Department has worked with students to schedule space for large events held on campus; faculty not officially associated with FME have always acted in advisory capacities.

UNIQUE ASPECTS AND FEATURES

A few years ago simply having students start a business as an in-class project would be considered unique pedagogy. However, more and more schools are adopting such a project for their entrepreneurship courses. Babson College has been perfecting the FME experience for ten years and its uniqueness and longevity is a result of three important features of the course.

- The course is *required for all first year, undergraduate students*, not just entrepreneurship students or upper level students. Babson believes entrepreneurial thinking and action must be developed in our entire student population because this competency is needed for all career paths and all organizations regardless of size.
- The FME business is *not a “fundraiser”* similar to those experienced by students in high school. FME students are starting an entrepreneurial venture as well as creating economic and social value. In addition, each section of FME is team taught by an IT professor and a professor from another business discipline (e.g., entrepreneurship, management, marketing, finance). The extensive information technology component of the course ensures a strong process orientation in the management and operation of each FME business. Students create processes in order to collect, organize and analyze information for decision making purposes. Such processes include: primary quantitative (market surveys) and qualitative (focus group or interview guides) research, 360° performance appraisal system, accounting books using Microsoft Excel, sales and inventory tracking using Microsoft Access, developing a website and tracking indicators, and some businesses use a Babson provided gateway for online purchasing.
- FME students experience a harvest event. We strongly believe that incorporating the community via a vis philanthropy is an important learning objective. Ending the venture and *delivering value to the community* is an important part of the entrepreneurial process.
- FME is an integral aspect of an *institutional commitment* to entrepreneurship and integrated management education. FME is not a stand alone entrepreneurship course; it is a part of Babson’s undergraduate management core and is a flagship course supporting the College’s mission of educating entrepreneurial leaders.

OUTCOMES & BENEFITS

Since its inception FME businesses have evolved from selling cookies on campus to negotiating contracts with suppliers in China. Average revenue and profit for FME businesses are \$5,500 and \$2,000 respectively; however, businesses have earned as much as \$30,500 in revenue and \$18,000 in profit in a 12 week period. Most importantly, the FME businesses are able to make a significant impact on their local communities. Each year FME students give over 2,500 hours of service to charitable organizations. Since 1999, 2,520 FME students have donated to \$218,263 and more than 15,000 hours of their time to community service organizations (See Exhibit 6).² Through the FME experience, Babson reinforces the importance of giving back to the community, an important stakeholder of every business.

FME is a rite of passage – a unifying course. FME students experience the ups and downs of entrepreneurship and learn about the sweat equity associated with a start-up. They gain knowledge of the importance of leadership yet struggle with finding and developing their own style. They practice management and through experience, learn that people are their #1 resource, yet effectively managing and utilizing human resources is more art than science. FME students feel defeat after making poor decisions and experience elation over small wins. In hindsight they

² FME started in 1996, but recordkeeping has only been in place since 1999.

underestimate the role of trust between managers and employees and learn delegation is not a choice. In the end and after all the planning and analysis, they finally learn that the best opportunity in the world is of little value without a strong team that can execute. Such strength is derived from open and constant communication, shared but challenging goals, and the ability to adapt in uncertain environments.

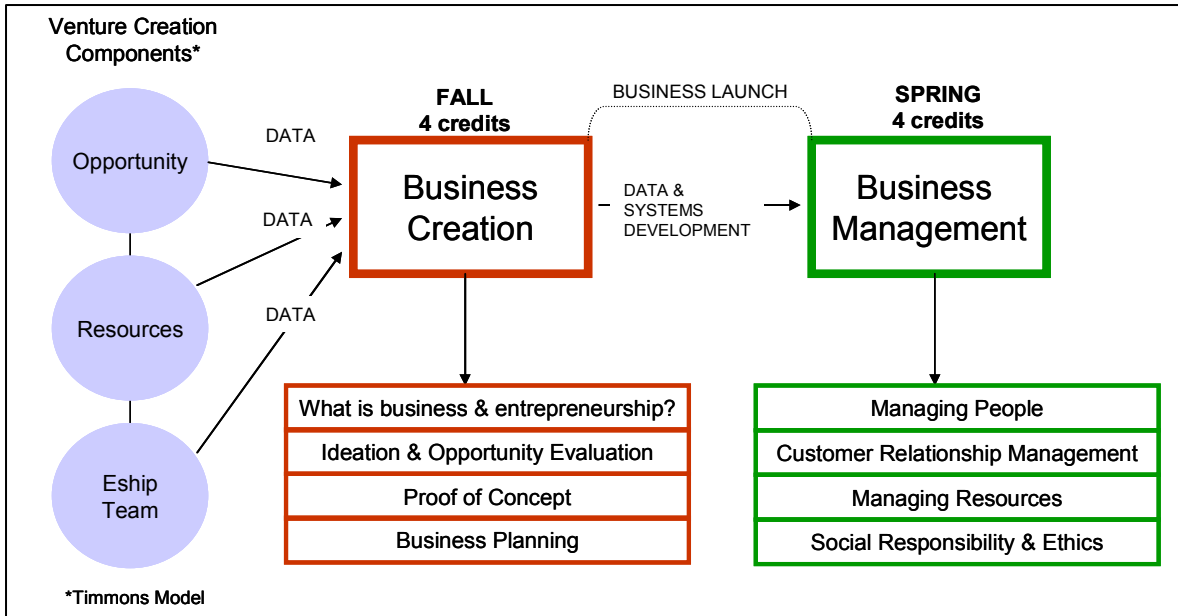
Perhaps the most significant benefit of FME from a curriculum perspective relates to what happens after FME. The FME businesses are analogous to internships; a context is provided for future learning. As students enter their second year of the Babson curriculum, all students have a significant business experience in which to apply new content. A recent alum, and former CEO of her FME business, says it best.

“FME gave me the confidence needed to be entrepreneurial as an undergraduate student. FME provides students with a safe environment to take risks and learn from mistakes. I wouldn't have started three other businesses at Babson without the basic concepts and skills that FME taught me, along with the confidence I gained from actually starting a business and leading almost 30 other students. The FME business project also provided the context needed to make Babson's integrated business curriculum effective. Babson's integrated business curriculum allows for a cross-functional understanding of business, particularly useful for learning entrepreneurship. However, much of the value of integration could be lost without some business 'experience'. FME essentially gave me an understanding of typical business issues and decisions, which helped me grasp more complex business subjects.” (Priya Khetarpal, Class of 2005)

The mission of Babson College states that we educate men and women to be entrepreneurial leaders in a rapidly changing world. We prepare them to identify opportunities and initiate actions that result in genuine accomplishment.³ From Roger Babson's vision to our current mission, FME epitomizes the spirit and commitment of the Babson community to entrepreneurship.

³The college's mission is found in the strategic plan at <http://www3.babson.edu/Offices/President/upload/StrategicPlan2003Summary.pdf>

EXHIBIT 1: FME AT A GLANCE



Grading & Requirements		
	Fall Semester	Spring Semester
FME Business Project*	15%	30%
Exam 1	15%	20%
Exam 2	20%	--
Final Exam	25%	25%
Homework	10%	10%
Class Participation	15%	15%

* Students failing to complete the six hour community service requirement earn an “incomplete” course grade in the Spring.

Course Materials
Title: Financial Accounting Basics for FME Author: Deneault Publisher: Babson College
Title: Foundation Management Experience: Core Management Topics Authors: Various – custom book Publisher: Thomson Custom Publishing
Title: Information Systems Essentials Authors: Haag and Cummings Publisher: Irwin McGrawHill

EXHIBIT 2: BUSINESS SELECTION PROCESS TIMELINE
(Fall, 2005)

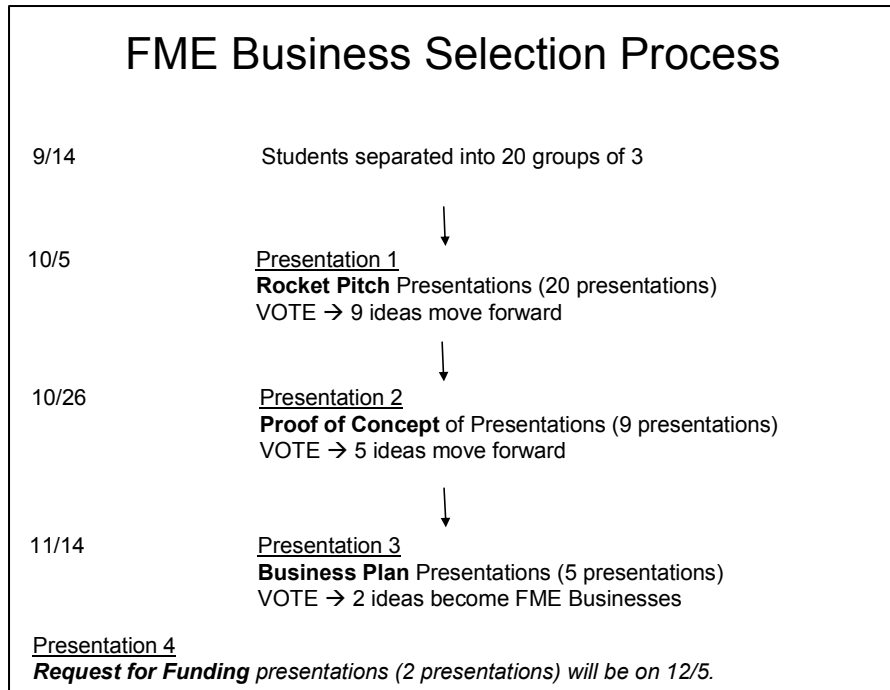


EXHIBIT 3: DESCRIPTION OF SELECT FME BUSINESSES

Sample of Product Based Businesses	
Babo2Go	Thermos coffee mugs with Babson or custom designed logos
Babo Records	A 21-track music CD compilation of underground Boston bands
Babson Blankets	Polar Tec fleece blankets available in many sizes and colors that could be customized to include organization/business name and logo
Babsonopoly	Designed and manufactured a Babson version of Monopoly.
Band-Ed Marketing	Customizable silicone wristbands in bulk for companies and organizations who were looking for a creative way to increase awareness of their cause or company
BPhoto	Photography company capturing life on campus and selling memorabilia combining photographs with albums, frames, posters, stationary cards and other customized photo products.
The 19 th Beaver	Golf apparel and accessories with the Babson logo
The Bolo Company	Casual wear, polo shirts, hats and accessories with the Bolo Beaver insignia to the Babson community
Greenback Card Company	Playing cards with caricatures of Babson faculty, administration, student organizations, athletics teams, and campus buildings
Sample of Service Based Businesses	
Beaver Cleaners	Dry cleaning services to the Babson community with convenient campus locations and dorm delivery
Eventures	Event specialist company dedicated to providing the Babson community with a variety of events to stimulate a healthy social life while appealing to a diverse group of students
HotNightBoston.com	A web site that provided the Boston area college community with thorough and clear information on nightlife and college events.
Out There Marketing	Sold advertising to local business for print and media formats and designated an on campus promotion day for each business
Renegade Promotions	Create and execute edgy marketing campaigns to businesses looking to effectively target the market savvy college demographic
Sample of Combine Service & Product Based Businesses	
Café Norte	Late night café located in the lounge of a campus dorm
In Your Face Promotions	On campus promotional company, focused on promoting school spirit through promoting school events and selling spirit enhancing products directly to Babson affiliates at the promoted events
The Look	A magazine that included a guide to local businesses and entertainment in the Wellesley and Boston areas with indepth information and reviews

EXHIBIT 4: EXAMPLE OF WEEKLY REPORTING GUIDELINES

Each business presents “the state of the business” each week during the spring semester to the Board of Directors (faculty). Guidelines may vary slightly across sections and weekly “drill-down” topics are usually given to the students in advance. Such drill down topics may include promotion strategy, performance appraisal report, or social responsibility report. Presentations are considered working meetings. Both businesses per section are present for all presentations to encourage cross-business learning.



Foundation Management Experience Spring 2005

FME Spring Field Project Reporting

The following **statement of requirements** are meant to assist in your weekly reporting of planning and performance activities. Tailor your field project presentations to accommodate your business needs, while still meeting the process guidelines and minimum reporting requirements. This is a *living* document; additions will be made as the semester progresses as needed.

“WEEKLY” REQUIREMENTS

1. Deliverables

- a) Your PowerPoint and Excel (financial statements) files must be uploaded to the “Business Posting” section of Blackboard **by 11 PM** the day before each Field Project Reporting class.
- b) TWO paper printouts of your PowerPoint slides (2 slides per page, stapled) and your weekly and total financial statements (income statement, and balance sheets) must be distributed to the BOD prior to the start of each Field Project class
 - Do NOT print out your entire excel workbook. Only deliver what is required.

2. Departmental Summary Update

- a) *General requirements:*
 - All departments, including the Presentation Director and Community Service
 - (1) Compare last week’s targets with actual performance.
 - (a) Why met or exceeded targets? [Reasons not excuses please.] Why did you not meet your targets? Corrective action initiated to prevent future occurrences. [This translates into lessons-learned from the week’s activities and your planning process as well.]
 - (2) Present next week’s targets and plans by which you intend to use to accomplish your goals. If appropriate, present next few weeks’ plans (examples include: marketing promotions, administration of performance evaluations, new product purchases, and so on.)
 - (a) Include activities, name(s), dates/milestones, financials, etc.
- b) *Financial* data must include:
 - An income statement for the current week and cumulative to date against projected weekly and cumulative targets. Business weeks run Tuesday to Tuesday to allow time to prepare weekly reporting.
 - A balance sheet, for the period (i.e., week) ending is also required.
 - You need not show transactions during the presentation, but they must be included in the Excel workbook uploaded to Blackboard the evening before Field Project Reporting Days.
- c) *Sales* data (product and business totals in units and dollars) must be displayed by week, actual vs. projected, in a chart. You may wish to include charts illustrating the top three and bottom three sales performers (individuals or teams if more appropriate to your business situation.).
- d) *Inventory* data, reconciled with financial and sales data, must be reported weekly. This reporting should indicate how much inventory is in storage, how much is signed out to employees, and how much can be found at other sites (if applicable to your business situation.)
- e) *Bring* questions and/or issues you wish the BOD and entire business to address.

3. In-depth Reporting – “Topic/Issue of the Week”

- a) Identified by the Board of Directors, and businesses as needed.
- b) Similar to the departmental summary update above, but plan to spend **about one half** of your total reporting time on this topic/issue. For example, the BOD may want you to focus on marketing one week and human resources the next.
- c) Objective – to effectively address a topic or issue

EXHIBIT 5: FME INFRASTRUCTURE

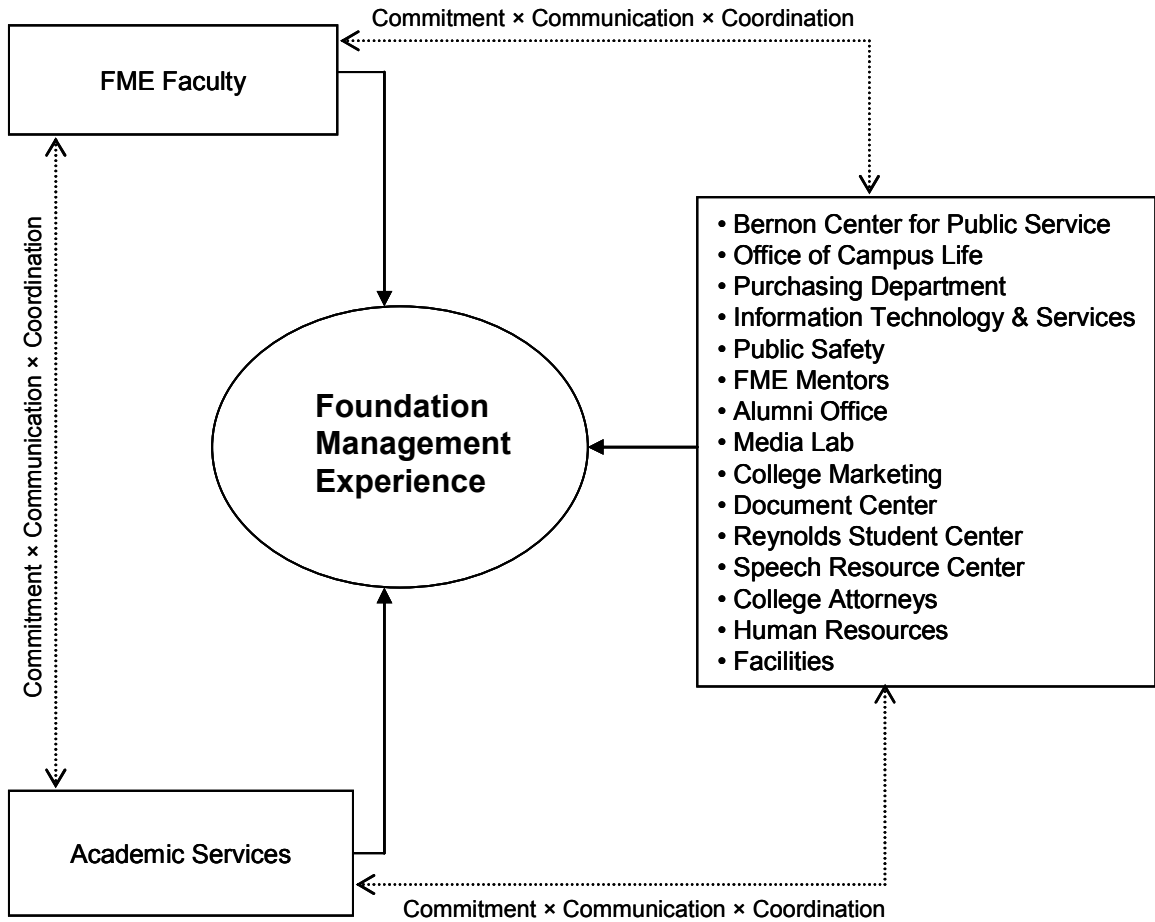
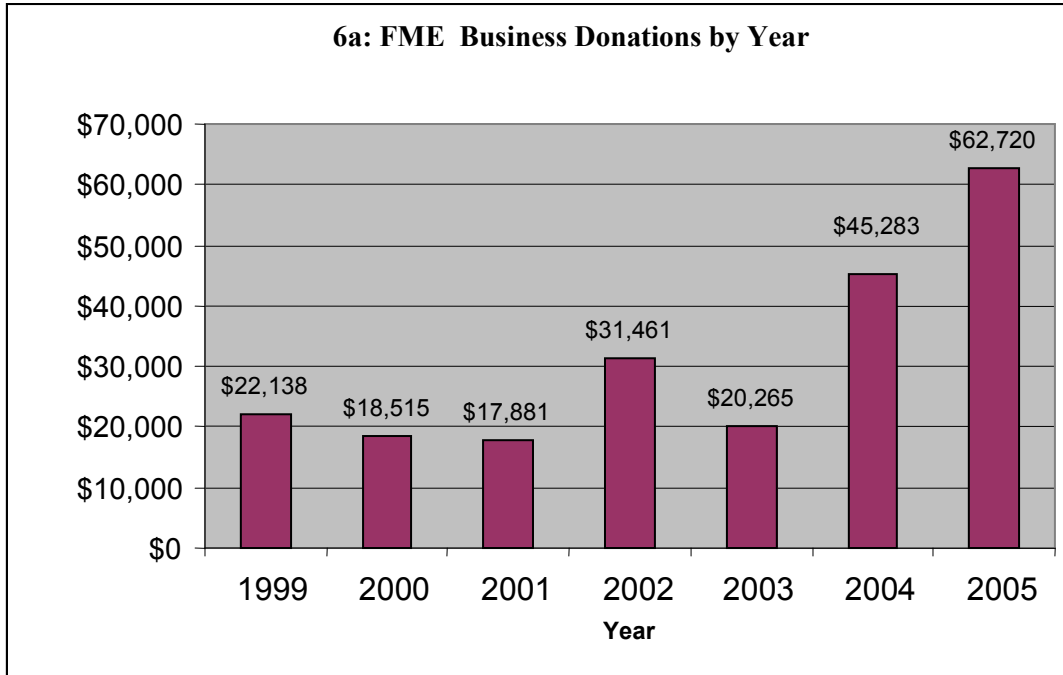


EXHIBIT 6: SOCIAL IMPACT



Over 50 community service organizations have benefited from the FME businesses. Since 1999, 2,520 students have experienced FME resulting in a cumulative donation \$218,263 plus approximately 15,120 hours of students' time working with these community service organizations. A sample of the organizations benefited is listed below.

6b: Charitable Organizations

Aids Action	East Boston Social Centers	Shattuck Shelter
Allston Brighton Food Bank	Fidelity House	Special Olympics of MA
Alzheimer's Association	Friends of the Homeless	The Angel Fund
American Cancer Society	Greater Boston Foodbank	Waltham Boys and Girls Club
Arlington Boys and Girls Club	Habitat for Humanity	Wellesley Council for Aging
Boys & Girls Clubs of Boston	Happy Hallow School	West Suburban Elder Service
Cam Neely Foundation	Harvard Square Church Meals	Natick Service Council
Camp Invention	Junior Achievement	Pine Street Inn
Casa Nueva Vida	MADD	Rosie's Place
Charles River ARC	March of Dimes	Citizens Schools
Charles River YMCA	Dana Farber	Salvation Army