Notes on Case

“Roxanne Quimby”

Opportunity Recognition

This is another early opportunity to allow students to engage in the use of the Model and detailed analysis of a venture opportunity. The discussion of the chapter can lead into a class discussion of the origin of ideas and how one begins to determine the difference between a good idea and a good opportunity.

Use of the Roxanne Quimby Case

This case is intended to represent the life style end of the new business continuum, since these are prevalent issues from the outset of this venture, and to appeal to those students who are thinking in such terms at this point. The second part of the Quimby case will be presented in Chapter 5 and is entitled “Burt’s Bees.”

Positioning and Objectives

This is a unique case that can be very effective in examining the life style vs. high potential Venture, the fundamental characteristics of a good opportunity, as well as all the issues faced by a female entrepreneur. It is well suited to apply the Opportunity + People + Resources = Fit model to the case analysis. Its main objectives are to examine:

1. The anatomy of a life style venture and the roots of its success.
2. The comparison of the requirements and realities of a life style vs. a high potential business.
3. The fundamentals of basic opportunity recognition.
4. Issues in relocating a business a thousand miles away and the consequences and implications of such moves.

Preparation Questions

Consider the following questions:

1. *Who can be an entrepreneur?*
2. *What are the risks, rewards, and trade-offs of a lifestyle business vs. a high potential business—one that will exceed $5 million in sales and grow substantially?*
3. *What is the difference between an idea and an opportunity? For whom? What can be learned from Exhibits C and D?*
4. *Why has the company succeeded so far?*
5. *What should Roxanne and Burt do, and why?*

Class Discussion

Opener and Votes:

1. Should Quimby move the business back to Maine? Yes___ No___
2. Would you pay up to one and a half times revenues for Burt’s Bees? Yes ___ No ___
3. Would you want Roxanne as a CEO or business partner?

A good opening question is: *Who is Roxanne Quimby?*

This discussion enables students to explore how it is that she finds an opportunity, and may challenge many of the stereotypes they hold about whom the entrepreneurs are and what it takes. Probing for descriptions, underlying assumptions, and insights about her goals, values, motivations and the various pressures and forces that contributed to her decision to create a business can be powerful here. Follow-up probes can include: What is she like? What does she like and not like? Why? Speculate for a moment: What would it be like to work for her; with her? What are going to be her strengths and shortcomings? What was so entrepreneurial about her, and why was this?

An excellent closing discussion on this opener can come from asking students to reflect on the entrepreneurs they have known and know of, and consider the following: Who can, or cannot, be an entrepreneur? Be prepared for a lively discussion, which can be ended by saying this is a common thread that runs throughout the course, and is one of the most important issues for them to think about personally. It will be revisited in many of the cases and with outside entrepreneurs who speak to the class. Urge each student to shape their own views, definitions and boundaries for these core questions.

Other Discussion Questions

1. *The Anatomy of the Venture: Why is she quite successful?*

This question focuses on what she did with absolutely nothing, and how and why this business happened. It can challenge many of their pre-held beliefs and assumptions about what it takes: education, capital, experience, know-how, a team up front, and the like. Asking students to apply the model to the business at the outset exposes many of these requirements -- by showing the power of the individual, the motivation and creativity, and the determination. It also illustrates what a huge difference there is in a high-margin product in a growing market versus all the rest.

If you ask students to describe the size of the O-P-R circles at the startup point they will likely say a fairly large but totally undefined O; a non-existent R and a flaky P! How do you get from there to $3 million in revenue? Is a good follow-up probe.

The bootstrapping resource strategy is as vivid in this case as any they will ever see, outside of the Peace Corps and Native American entrepreneurs. It can be a powerful lesson, particularly for both poorer and wealthier students to illustrate what can be done with nothing.

2. *Is this a good opportunity, or just another idea?*

At some point the discussion will address this critical question. Here is an excellent place to revisit or to introduce the QuickScreen Exercise in chapter 5. What are the characteristics of the opportunity? The QuickScreen Exercise can be used to prompt the class to think about the anatomy in a different light. What is it about the opportunity that made the odds and the results favorable? What was it that was more forgiving and rewarding than all those other ‘good life style ideas’ that went nowhere?

Some students should be able to elaborate, in a basic way, about the economics and free cash flow characteristics of the business. One doesn’t need high math here to figure out that these are high margin, high value-added products with fairly low capital requirements, and no overwhelming location requirements. Granted, the inferences that can be drawn are broad-brush at this early point in the course, but set the stage for the framework, and more complicated and detailed cases and analysis in the next few cases. It can also set the stage for a discussion of due diligence and opportunity/market research strategies devised by investors and entrepreneurs, and that each must develop for their own venture ideas.

A corollary question here is: *Who is this opportunity for!* This explores the Fit issue between the opportunity, entrepreneur and her resources.

3. *Life Style vs. High Potential Venture*

One teaching strategy is to simply get the class to discuss and define the characteristics of Life Style and High Potential ventures: how would they be described, their attributes, differences, who does it, and so on.

A richer discussion can occur by asking the class to think about and discuss the following: Think about all the people you know that own small, life style, even mom-and-pop type businesses; and high potential businesses (e.g. more than $5 million in revenue and 30 people). Think about the common denominators among these two groups of entrepreneurs. How would you characterize them?

- What are their goals, dreams, values, ambitions and motivations?
- Why does this particular business suit them and satisfy them?
- How would you describe the risk:/reward pattern in each?
- Can life style ventures be riskier than high potential ventures?
- What are they, and are they <u>*not*</u>, trying to pursue or accomplish?
- What is it about the two types of businesses that make it a good FIT for the owners?

Many students will use the course to help them sharpen their vision and understanding of this central issue. It will arise often.

4. *Location Issue*

The location issue is worth exploring in a more generic way. What are the most important criteria? More often than not it is the personal goals and values of the founders than determine location. One teaching strategy is to focus on the pros and cons of Maine vs. North Carolina. Most students won't have enough specific knowledge to develop this well.

Another strategy, which the text author prefers, is to get them to address: What are some businesses that are totally sensitive to location? (Obviously retail will loom, service businesses, and so on.) Then ask them to identify businesses that have low or very little if any location sensitivity. The following might help them to get started. The author visited the science park at RPI a number of years ago while on a November speaking engagement at the college. The manager of the gallium arsenide chip facility showed us the year's entire production: a fifty gallon drum of tiny crystals, worth $30 million, that end up in digital watches, appliances, and the like so their numbers can be seen by the human eye. What happened to these chips? The fifty-gallon drum would soon be sealed and flown to the Philippines where a manufacturer of watches, appliances, etc. purchased the chips. In the value-creation chain the transportation costs were such a small part that the location of the crystal plant did not matter, relative to where the customer was -- just the opposite from retailing and service businesses, or cement plants.