Entrepreneurial Finance  
MGT 4072  
Fall 2013

Instructor  
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Office Hours: Tuesday, Wednesday and Thursday - 9AM to noon, or by appointment. Please do not hesitate to e-mail or call to make an appointment or to leave a message. Students are welcome and encouraged to make appointments to discuss issues related to the class, as well as other matters of importance to them. I am available for consultation or conversation through direct e-mail. My office is located in the ILE Suite on the 4th floor of the Scheller College of Business (downtown/south side of building), next to the Trading Floor.

Course Overview

The economists Joseph Schumpeter stated that the primary function of the entrepreneur was to reform or revitalize the patterns of production. Entrepreneurs are engaged in “creative destruction.” They accomplish this by “exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply or materials or a new outlet for products, by reorganizing an industry and so on.” Peter Drucker expanded that concept by adding that “the entrepreneur always searches for change, responds to it, and exploits it as an opportunity.”

Interest in the field of entrepreneurship has expanded as students seek to understand the dynamics of being an entrepreneur and obtain the skills necessary to succeed. While most of the entrepreneurial activity in the past has been focused on the for-profit sector, we are experiencing a growth in the application of these concepts to social issues.

Entrepreneurial finance is the application and adaptation of financial tools and techniques to the planning, funding, operations, and valuation of an entrepreneurial venture. Entrepreneurial finance focuses on the financial management of a venture as it moves through its life cycles, beginning with its development stage and continuing through to when the entrepreneur exits or harvests the venture. Nearly every entrepreneurial firm will face major operating and financial problems during its early years, making entrepreneurial finance and the practice of sound financial management critical to the survival and success of the venture (Leach & Melicher).
Course Objective

This course has been developed to provide student with an understanding of the financial aspects of starting, funding, operating, and/or exiting an entrepreneurial venture.

The objectives of this course are to provide students with understanding, knowledge, enhanced competence and skills in the following areas:

- The nature and environment of entrepreneurial finance
- Organizing and operating the entrepreneurial venture
- Measuring financial performance
- Planning and decision making for the short term and long term
- Evaluating different financing options
- Legal and organizational issues
- Valuation of entrepreneurial ventures and options
- Harvesting, exit strategies and turnaround opportunities
- The application of entrepreneurial finance to entities that focus on creating social value

At the conclusion of the course students will:

- Be capable of determining the financial needs for entrepreneurial enterprises
- Be able to develop proposals that address the needs of providers of financial resources
- Be able to analyze financial statements relative to operating performance and cash needs
- Gain understanding of the impact of enterprise growth on financial resources
- Be able to develop knowledge and understanding of terminology and financial concepts critical to the growth and success of entrepreneurial enterprises
- Understand the legal and regulatory issues surrounding the growth and development of entrepreneurial firms

Teaching Methodology

The course will be taught using lectures, readings, case studies, group projects and guest speakers. An online financial learning module is a critical component of the learning experience. Students are expected to come to class prepared to discuss assigned readings and case studies. Dialogue with speakers and the professor is encouraged and part of the learning process. Teams will be formed early in the semester to enhance learning and discussion of the case studies. Students will be given several in-class/take home exercises to reinforce learning and the application of certain topics.

Required Online Learning Module

Harvard Business School Finance Online Couse: Introductory Section

Optional Text

Articles

• How to Write a Great Business Plan, William A. Shalman, HBR, July-August 1997. Reprint 97409
• Note on Creating A Viable Venture, Arar Han, Charles Holloway, Lisa Sweeney, Stanford Graduate School of Business, January 8, 2011. Case: E-402
• Pre-Start Analysis: A Framework for Thinking About Business Ventures
• Financing New Ventures
• Legal Issues for New Ventures: Choice of Lawyer and Choice of Entity
• Securities Law and Private Financing
• Note on Valuation for Venture Capital
• Note on the Initial Public Offering Process
• Strategic Perspective on Bankruptcy
• Coming Out From Behind The Counter (T-Square)

Cases

• Gone Rural
• Harmonic Hearing Company
• Honest Tea
• ALAC International
• Hurry Date
• Sugar Bowl

Articles, access to online finance learning module and cases are available at:
https://cb.hbsp.harvard.edu/cbmp/access/20343020

Grading

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<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Attendance &amp; class participation</td>
<td>20%</td>
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<tr>
<td>Online Financial Learning Module</td>
<td>20%</td>
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<tr>
<td>Exercises and case studies</td>
<td>40%</td>
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<tr>
<td>Final exam/case write-up</td>
<td>20%</td>
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Case Studies and Exercises (40%)

Team/group formation
Students shall organize themselves into teams for the team project. Each team should have at least five and not more than seven members. Teams should be formed no later than the 3\textsuperscript{rd} week of the semester.

Case Studies
Cases are used to engage the student in actual situations that address financial knowledge and an understanding of the entrepreneurial nature of business. Students will work in their team on each case. Each team will prepare a written analysis and/or solution to the problem(s) stated in the case. One or more teams may be asked to present their finding in class. Each student is responsible for studying the case and being prepared to offer insight and answers during class.

Exercises
There will be several exercises on topics during the course. Some will be completed in class, other will be given to the student to complete prior to the following class.

Peer Evaluation
Each member of the team will complete a peer evaluation of the other group members. Evidence of lack of participation and engagement may reduce an individual’s grade for team activities by 25\% (10 \% of total grade)

Online Financial Learning Module (20%)

Students must complete the pre-test of the HBS Online Finance Course: Introductory Section prior to August 30\textsuperscript{th}

Students must achieve a passing grade on Final Exams of the HBS Online Finance Course: Introductory Section module no later than October 8\textsuperscript{th}

Final Exam (20%)

The final exam will consist of in-class case analysis, multiple choice questions or combination of both. The final exam will be comprehensive.
Attendance and Class Participation (20%)

Each student is expected to participate in the class discussion of readings, cases, and other learning activities. The professor may ‘cold call’ on students in the event that the class is not engaged in discussion. Attendance is a critical element in the grading. Points will be deducted from the attendance and class participation portion of the grading criteria based on the following:

1\textsuperscript{st} absence & no deduction  \\
2\textsuperscript{nd} absence & 1 point deduction  \\
3\textsuperscript{rd} absence & 1 point deduction (cumulative 2 points)  \\
4\textsuperscript{th} absence & 2 point deduction (cumulative 4 points)  \\
5\textsuperscript{th} absence & 2 point deduction (cumulative 6 points)  \\
6\textsuperscript{th} absence & 3 point deduction (cumulative 9 points)  \\
7\textsuperscript{th} – and above & 3 point deduction for each absence (max 20 points)

The professor reserves the right to determine if an absence is excused or unexcused. Student must submit reason for the absence (via email) within 3 days of absence.

Honor Code

Students are expected to adhere to the Georgia Tech Honor Code. The Honor Code can be accessed at \url{www.honor.gatech.edu}. Students should feel free to discuss any issue with the Honor Code with the professor.

Students with Disabilities

To request classroom accommodations, students with disabilities should contact the ADAPTS office: Assistant Dean/Coordinator for Students with Disabilities, Smithgall Student Services Building, Suite 221 (404-894-2564).