**Entrepreneurial Finance**

**MGT 4072**

**Fall 2012**

**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 on the 4th floor of the College on Management (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 Objectives**

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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. Students are expected to come to class prepared to discuss assigned readings and case studies. Project teams will be formed early in the semester to enhance learning and discussion of the case studies and to develop models and plans to enhance the ability of entrepreneurial companies to succeed.

**Required Text**

Entrepreneurial Finance, Leach & Melicher, 4th Edition, Southwestern/Cengage Learning

**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
* *Note on the Financial Perspective: What Should Entrepreneurs Know?*  William A. Sahlman, Harvard Business School, September 4, 1992. Reprint 9-293-045
* *Deal Structure & Deal Terms,* Howard H. Stevenson & Michael J. Roberts, Harvard Business School, November 7, 2005. Reprint # 9-805-085

Articles are available from [www.study.net](http://www.study.net) (instructions included)

**Grading**

Attendance & class participation 20%

Mid-term exam 20%

Team project & case studies 40%

Final exam/case write-up 20%

**Team Project (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 3rd week of the semester.

*Case Studies (10%)*

Teams will address questions from one or more of the case studies presented in class. Each team will submit answers and analysis to the professor. One or more teams will be called on to make an in-class presentation.

*Team Project (30%)*

Each team will be assigned to an existing ATDC company. These companies are working on products or services and are seeking to scale their organization and attract the financial resources critical for growth. The class team will meet with their assigned ATDC company. They will develop analysis, provide assistance and work with the company to develop models that will contribute to the success of the firm. The three primary assignments for the class teams are:

* Prepare a financial analysis of the firm ‘s current financial position and its performance; provide assistance to company in addressing one financial issue that is important to them
* Present a comprehensive model of the firm’s financial position and recommendations that will enhance their ability to attract financial resources. Your final presentation should be informed based on feedback from your previous assignments
* Be prepared to answer questions and provide input for a panel of investors and ATDC representatives that will review your presentations

*Presentation Format*

Teams will create a video for each presentation. Videos will be available for the ATDC team, instructor and panel of investors. The videos shall not exceed 10 minutes and address the assignment. In addition to the video, a written report will be provided to the professor.

*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)

**Mid-term (20%)**

A mid-term exam will cover readings, lectures, guest speakers and class discussion. The mid-term will be open book, open notes.

**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:

1st absence no deduction

2nd absence 1 point deduction

3rd absence 1 point deduction (cumulative 2 points)

4th absence 2 point deduction (cumulative 4 points)

5th absence 2 point deduction (cumulative 6 points)

6th absence 3 point deduction (cumulative 9 points)

7th – 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 [www.honor.gatech.edu](http://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).