

Georgia Institute of Technology
Scheller College of Business

Entrepreneurial Finance and Private Equity
Syllabus

MGT 6086
Fall 2026 T, Th 12:30-1:45 P.M

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"The entrepreneur casts aside his assurance of 40-hour weeks, leaves the safe cover of tenure and security, and charges across the perilous fields of change and opportunity. If he succeeds, his profits will come not from what he takes from his fellow citizens, but from the value they freely place on the gift of his imagination." George Gilder
"Good judgment comes from experience. Experience comes from bad judgment." Walter Wriston

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Career Focus

This course is intended for students who may at some point be interested in pursuing careers in the entrepreneurial sector. This group includes students interested in starting a business, buying an existing one, playing a managerial role in a rapidly growing business, providing financial and other resources to entrepreneurial companies, or working in new business development in larger companies.

Objective

This is a course with two fundamental objectives. The first is to teach current and future managers and entrepreneurs to use financial perspective in the value creation and enhancement process. The second objective is to teach effective entrepreneurial practice from the perspectives of users and suppliers of capital and other stakeholders.

Finance is the study of value and resource allocation. The value of any cash stream is influenced by its magnitude, timing, and riskiness. Finance is also concerned with the cost of capital and determining the least expensive source to fund projects. These issues are very critical for start-up and growing firms. The course will focus on financial management within entrepreneurial firms. The course will cover all phases of their life cycle, from the initial idea generation to the ultimate harvesting of the venture.

Suggested readings, class discussions, case analyses, and guest lectures will aim to increase the participant's understanding of key concepts and issues.

Course Structure and Contents

Module 1: Identifying Opportunities

Here we explore the structural model of entrepreneurship. We use William Sahlman's framework that identifies four critical factors for entrepreneurial ventures: people, opportunity, deal, and context.

People

An important task is to identify the key players. What is their experience? How does this experience prepare or not prepare for the opportunity that exists? What are the strengths and weaknesses of the people involved in all sides of the transaction? Are there key individuals that the company should add or replace?

Opportunity

The opportunity that arises may be a new product or service, a new method of delivery, or a new production technique that provides a cost advantage. Many questions such as the following need to be answered. What is the nature of the opportunity? Is there a sustainable competitive advantage? Must the opportunity be exploited immediately or is there a possibility of waiting? Are there intermediate milestones that can be used to assess the success of the project?

Deal

Once the people and opportunity pass minimum criteria, a proper deal needs to be structured. The proper deal needs to minimize moral hazard and adverse selection problems. From whom should the firm raise money: wealthy individuals, banks, venture capitalists? What is the proper financing instrument: debt, equity, convertible securities, or a combination? Who bears the downside risk?

Context

Probably the most difficult part to assess. Some of the issues such as potential competitors and changes in government regulations are hard to predict. One should have a very clear understanding of economic conditions and trends that will influence a particular market.

The concept of “FIT”

An understanding of the big picture is very important. How do the above four elements relate to each other? Do the people have the requisite skills and experience to exploit the opportunity? Does the deal provide proper incentive to all the players? Will the context change the nature of the opportunity?

Module 2: Valuation.

In this module, we will discuss different valuation techniques. There are several approaches to valuation. The easiest way to value an early-stage firm is to examine the valuation of another early-stage firm. It could be a difficult task given that it is hard to find valuations of privately held firms. The other methods are i) The Net Present Value Method, ii) Adjusted Present Value Method iii) Comparable Firm Analysis, iv) Option analysis, and v) The “Venture Capital Method.” We will discuss the strengths and weaknesses of the above techniques through several examples.

Module 3: Financing the Entrepreneurial Firm

This section discusses questions such as who the suppliers of the necessary financial resources are, what type of deals should be struck with each of these resource suppliers. The other issues addressed are the criteria these sources utilize and evaluate fund raising proposals, and the legal process involved in raising outside risk capital.

There are four primary factors that influence the source of funds. **Uncertainty** exists about whether the research program or new product will succeed. This in turn affects the willingness of outsiders to contribute capital, the desire of suppliers to extend credit among other things. This often results in the investor staging the capital.

Asymmetric information may also affect project-financing decisions. Typically, an entrepreneur will know more about the company's prospects than investors, suppliers, or strategic partners. This may result in an entrepreneur pursuing a risky investment strategy or shirking work. The third factor that influences the source of financing is the **nature of the assets**. Firms with more tangible assets will find it easier to raise external capital.

Lastly, **market conditions** often play a very important role in terms of the ability of the firm to raise capital. The supply of capital dramatically varies over time. Currently, it is a lot harder for a biotechnology firm to raise capital as compared to an internet firm.

The type of financing (i.e., debt, equity, or convertible security) used often mitigates some of the potential conflicts. Monitoring and evaluation by investors play a critical role in minimizing these conflicts. Some of the techniques used in this regard include having an active and qualified board of directors. The combination of cases and notes used in this course will provide a useful framework to understand the above issues.

Module 4: Harvesting

Harvesting can take several forms. We will explore modes such as initial public offerings (IPOs) and acquisitions. Successful exits by providers of capital are critical to ensuring attractive returns for investors and, in turn, to raising additional capital. But private equity investors' concerns about exiting investment can sometimes lead to severe problems for entrepreneurs. We will discuss the pros and cons of going public. We will explore the IPOs of Facebook through cases. We will also talk about acquisitions as an important mode of harvesting. The ability to find the best buyer and negotiate the best deal terms is important for the entrepreneur.

Module 5: Corporate Venturing

This final module focuses on the role played by corporations in the venture investing process. At the one end, the corporation invests directly in start-ups, which give them a greater ability to tailor their portfolios to their particular need. At the other end, some large corporations attempt to tap the entrepreneurial spirit within their organizations. They attempt to establish programs that are conducive to creativity and innovation.

Required Text

Entrepreneurial Finance, Smith and Smith, Entrepreneurial Finance, Second Edition, Stanford University Press

Course Notes – Available for download from Canvas

HBS Cases (available with HBS Publishing)

How to write a great business plan	HBR 97409
Business Model Analysis for Entrepreneurs	HBS 9-812-096
Quincy Apparel (A) Case	HBS 9-815-067
A note on valuation in private equity settings	HBS 9-297-050
The Venture Capital Method – Valuation	HBS 9-396-090
Yale University Investments Office: 2020	821074-PDF-ENG
Note on Venture Leasing	294069-PDF-ENG
Aberlyn Capital Management	HBS 9-294-083
Xedia and Silicon Valley Bank (A)	HBS 9-298-119
Square, Inc: The IPO (A)	HBS 9-187-054
The Fojtasek Companies and Heritage Partners	HBS 9-297-046
Nantucket Nectars	HBS 9-898-171

Recommended Text and Readings

Venture Capital Journal, CFO Magazine, Wall Street Journal, INC., SUCCESS.

www.entrepreneurship.org/founders-school.aspx

ecorner.stanford.edu

The Wall Street Journal (Highly recommended).

Grading Scheme

Case Analysis	25 %
Mid-Term	25%
Class Participation	25 %
Group Project and Presentation	25 %

Academic Integrity

Georgia Tech aims to cultivate a community based on trust, academic integrity, and honor. Students are expected to act according to the highest ethical standards. Review Georgia Tech's Honor Code and the student Code of Conduct. Any student suspected of cheating or plagiarism on a quiz, exam, or assignment will be reported to the Office of Student Integrity, who will investigate the incident and identify the appropriate penalty for violations.

Attendance and Class Participation

Class participation grades will be determined on the basis of participation in the class discussion of the cases. You are required to participate in the class. A necessary (but not sufficient) requirement for participation is presence. If you are not in the class, you cannot have participated. I do "cold call" on individuals.

Accommodations for Students with Disabilities

If you are a student with learning needs that require special accommodation, contact the Office of Disability Services (404-894-2563) as soon as possible to make an appointment to discuss your special needs and to obtain an accommodations letter. Please also e-mail me as soon as possible in order to set up a time to discuss your learning needs.

Student-Faculty Expectations Agreement

At Georgia Tech, we believe that it is important to strive for an atmosphere of mutual respect, acknowledgement, and responsibility between faculty members and the student body. The Student-Faculty Expectations articulate some basic expectations that you can have of me and that I have of you. In the end, simple respect for knowledge, hard work, and cordial interactions will help build the environment we seek. Therefore, I encourage you to remain committed to the ideals of Georgia Tech while in this class.

Group Case Write-ups

A group can consist of maximum of five students. The cases are listed in the course outline. The list of questions to analyze the case is listed in the outline. The group has to submit a two-page single space write-up (excluding graphs and tables) at the beginning of the class on the day the case is planned to be discussed. There will be a peer evaluation.

Group Project

A group can consist of a maximum of five students. The group has to make a presentation of the project during the last week of the course. Projects can include a) Detailed analysis of an entrepreneurial venture focusing on finance issues, b) Detailed discussion of expected financing for an entrepreneurial venture you already may be planning to embark upon, etc. **I need a one-page outline by the fifth week of the course.** I expect the written report to be no longer than fifteen pages (excluding the appendices). Please plan for a presentation of about twenty minutes during the last week of classes.

Office Hours

Physical Office Hours: Wednesdays 5-6 p.m.
 Tuesdays 1:45-2:45 p.m.

Virtual Office Hours: I will respond to all e-mails once a day at least.

Course Outline*

CN - Course Notes SS- Entrepreneurial Finance HBS - Harvard Business School Case

***** Write up required

Module	Date	Description	Remarks
1	8/25	Introduction	CN
2	8/27	Business Plan	CN, HBR 97409
3	9/1	New Venture Financing	CN, SS Ch-2
4	9/3	Venture Capital and Angel Investing	CN, SS Ch-3
5	9/8	Venture Deal Structure	CN, SS Ch-4
6	9/10	Venture Deal Structure	CN, SS Ch-4
7	9/15	Quincy Apparel Case	HBS 9-815-067
8	9/17	Yale University Investments Office: 2015	815124-PDF.ENG
9	9/22	Options	CN
10	9/24	Options	CN
11	9/29	Revenue Forecasting	CN, SS Ch-7/Recording
12	10/1	Financial Modeling	CN, SS Ch-8/Recording
13	10/8	Assessing Cash Needs	CN, SS Ch-9
14	10/13	Valuation	CN and HBS 9-297-050
15	10/15	Valuation	CN and HBS 9-396-090
16	10/20	Valuation	CN and HBS 9-396-090
17	10/22	Valuation	CN and HBS 9-396-090
18	10/27	Venture Leasing and Debt Capital	CN and HBS E-147
19	10/29	Xedia and Silicon Valley Bank (A)	HBS 9-298-119
20	11/3	Aberlyn Capital Management Case*****	HBS 9-294-083
21	11/5	Mid-term Exam	All the above modules
22	11/10	IPO and Exit Strategies	CN
23	11/12	The Fojtasek Companies and Heritage Partners	HBS 9-297-046
24	11/17	Corporate Venturing	CN
25	11/19	Square – Case	HBS 9-187-054
26	11/24	Nantucket Nectars – Case *****	HBS 9-898-171
27	12/1	Project Presentations	
28	12/3	Project Presentation	
29	12/8	Project Presentations	