



## **28E00600 Venture Capital**

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**Course Brochure – Spring 2019**  
**Period IV (Wednesdays 09.15 – 12.00), U3/U141**

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### **Learning Objectives:**

This course has been designed to enhance students' understanding of the dynamic challenges faced by entrepreneurial ventures in securing financial backing to support future growth and development. We shall examine these challenges in a variety of industry settings and stages of venture development both from the capital seeker (entrepreneur) and capital provider (investor) perspectives.

After this course, participants can:

- Identify and assess various sources of finance to support entrepreneurial ventures
  - Interpret information presented in historical financial statements and forecasts
  - Evaluate the “value” of a venture
  - Understand the dynamics of negotiation and structuring deals
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## Target Audience:

There are three distinct groups to which this course has been targeted:

- Entrepreneurs who are intent on raising external finance for their ventures;
- Individuals who wish to pursue careers in venture capital or private equity; and
- Those wishing to pursue careers professionally supporting entrepreneurial ventures (banking, consulting, legal, etc)

## Pre-Requisites:

My starting assumption in the course is that students have a limited knowledge of finance and financial statements. In the first session, we will spend considerable time introducing and acquainting students with financial statements: what they tell you, how they should be interpreted and the most important aspects considered by bankers, investors and entrepreneurs managing growth. I DO NOT INTEND TO TRAIN YOU TO BE ACCOUNTANTS BUT HOPEFULLY AFTER THE SESSION YOU WILL HAVE A GREATER APPRECIATION OF JUST HOW IMPORTANT GOOD ACCOUNTING ADVICE AND MORE IMPORTANTLY GOOD ACCOUNTING INFORMATION IS TO THE VITALITY OF YOUR BUSINESS.

In my experience, successful investors know their way around numbers but more importantly have a very good sense of quality management talent when they see it and thoughtful attention to how the business model can be developed in an economically efficient way. YOU WILL DISCOVER THAT ENTREPRENEURIAL FINANCE IS ART NOT SCIENCE. I HOPE TO ENHANCE YOUR COMFORT LEVEL TALKING THROUGH NUMBERS IN THE COURSE AS THIS WILL PROVE TO ENHANCE YOUR EFFECTIVENESS AS A NEGOTIATOR.

## Teaching Method:

We will combine the using of practical case studies, lectures and insights provided from the entrepreneurs featured in the cases and practitioners.

Before each session, I expect all course participants to read the assigned material and cases studies thoroughly. For each of the cases, I shall provide you with a set of questions to focus your analysis in preparation for class discussion. The case studies lend themselves to both qualitative and quantitative analysis. In my experience, group discussions are an excellent way for individuals to prepare for class and I strongly encourage you in this course to "talk through the issues" with others. For some of these cases, you will be asked to submit a brief individual hand-in; by brief I mean no more than one page, bullet points acceptable.

## Reference Material:

There are a growing number of books that deal with entrepreneurial finance from a practical perspective (citations detailed below). There is no formal textbook for the course. A number of useful web-sites for your reference include:

- [www.evca.eu](http://www.evca.eu) (European Venture Capital Association)
- [www.fvca.fi](http://www.fvca.fi) (Finnish Venture Capital Association)
- [www.svca.se](http://www.svca.se) (Swedish Venture Capital Association)
- [www.bvca.co.uk](http://www.bvca.co.uk) (British Venture Capital Association)
- [www.nvca.org](http://www.nvca.org) (National Venture Capital Association in US)

<http://www.babson.edu/Academics/centers/blank-center/bcerc/Pages/frontiers-of-entrepreneurship-research.aspx> (Frontiers of Entrepreneurship Research)  
[www.garage.com](http://www.garage.com) (Guy Kawasaki)  
[www.pwcmoneytree.com](http://www.pwcmoneytree.com) (Venture Capital database)  
<http://www.sec.gov/edgar.shtml> (Edgar database SEC)  
<http://abc.go.com/shows/shark-tank> (American Dragon's Den)  
<http://www.bbc.co.uk/programmes/b006vq92> (UK Dragon's Den)  
<http://www.cbc.ca/dragonsden/> (Canadian Dragon's Den)  
<http://www.crowdfunder.com/> (crowdfunding platform)  
<http://www.kickstarter.com/> (crowdfunding platform)  
[www.indiegogo.com](http://www.indiegogo.com) (crowdfunding platform)  
[www.crowdfunder.com](http://www.crowdfunder.com) (crowdfunding platform)  
[www.crowdcube.com](http://www.crowdcube.com) (crowdfunding platform)  
[www.seedrs.com](http://www.seedrs.com) (crowdfunding platform)  
[www.kiva.org](http://www.kiva.org) (social enterprise crowdfunding)  
[www.globalgiving.org](http://www.globalgiving.org) (social enterprise crowdfunding)  
[www.customerfundedbusiness.com](http://www.customerfundedbusiness.com) (John Mullins)

Gompers, Paul; Lerner, Josh. The Venture Capital Cycle. MIT Press; 1999; 0-262-07194-0

Benjamin, Gerald; Margulis, Joel. Angel Financing: How To Find and Invest in Private Equity. John Wiley; 2000; 0-471-35085-0

Benjamin, Gerald; Margulis, Joel. Finding Your Wings. Wiley; 1996; 0-471-14151-8

Bygrave, William; Timmons, Jeffrey. Venture Capital at the Crossroads. HBS Press; 1992; 0-87584-304-2

Van Osnabrugge, Mark; Robinson, Richard. Angel Investing. Jossey-Bass; 2000; 0-7879-5202-8

Coveney, Patrick; Moore, Karl. Business Angels: Securing Start Up Finance. Wiley; 1998; 0-471-97718-7

Quindlen, Ruthann. Confessions of a Venture Capitalist: Inside the High Stakes World of Start-up Funding. Warner Books; 2000; 0-446526-800

Bhide, Amar. "Bootstrap Finance: The Art of Start-ups" Harvard Business Review. 70(6) November/December 1992

Ernst & Young Guide to Financing for Growth. Wiley; 1994; 0-471-59904-2

Amis, David; Stevenson, Howard. Winning Angels. FT Pitman; 2001; 0-273-64916-7

Smith, Janet; Smith, Richard. Entrepreneurial Finance. Wiley; 2000; 0-471-32287-3

Frykman, David; Tolleryd, Jacob. Corporate Valuation: An Easy Guide To Measuring Value. FT Prentice Hall 2003; 0-273-66161-2

Mullins, John. The New Business Road Test: What Entrepreneurs and Executives Should Do Before Writing A Business Plan. FT Prentice Hall; 2003; 0-273-66356-9

Hill, Brian E; Power, Dee. Attracting Capital From Angels. John Wiley & Sons; 2002; 0-471-03620-X

Adelman, Philip J; Marks, Alan M. Entrepreneurial Finance. Pearson Prentice Hall; 2004; 0-13-184205-6

Godin, Seth. The Bootstrapper's Bible. UpStart; 1998; 1-57410-103-X.

Allen, Terry. No Cash No Fear: Entrepreneurial Secrets to Starting Any Business With No Money. John Wiley & Sons; 2001; 0-471-41532-4.

Matthew Bishop & Michael Green. Philanthrocapiitalism: How The Rich Can Save The World. Bloomsbury Press; 2008; 1-59691-374-6.

Greg Gianforte. Bootstrapping Your Business: Start and Grow a Successful Company With Almost No Money. Booksurge.com; 2005; 978-1-4196-6955-2.

Anthony Iaquinto & Stephen Spinelli. Never Bet the Farm: How Entrepreneurs Take Risks. Jossey-Bass; 2006; 0-7879-8366-7.

Kenneth Hess. Bootstrap: Lessons Learned Building a Successful Company From Scratch. S-Curve Press; 2007; 0-9711873-0-4.

Jeffrey Cornwall. Bootstrapping. Pearson; 2010; 978-0-13-604425-3.

Norm Bromsky & Bo Burlingham. The Knack: How Street-Smart Entrepreneurs Learn To Handle Whatever Comes Up. RH Business Books; 2008; 978-1-847-94033-9.

Ries, Eric. The Lean Startup. Crown Business; 2011; 978-0-307-88789-4.

Forbes, William. Behavioral Finance. Wiley; 2009; 978-0-470-02804-9.

Rees-Mogg, Modwenna. Dragons or Angels? Crimson; 2008; 978-1-85458-433-5.

Farleigh, Richard. Success from Pitch to Profit. Collins; 2007; 978-0-00-726355-4.

Mullins, John & Rand Komisar Getting to Plan B: Breaking Through to a Better Business Model. Harvard Business Press; 2009; 978-1-4221-2669-1

Mullins, John. The Customer Funded Business. Wiley; 2014; 978-1118878859.

## **Course Material:**

A number of cases will be used throughout the course. Arrangements for distribution will be discussed during the first lecture. To get a really intimate feel for the art of entrepreneurial finance, I encourage you to read widely. If you are inclined to "dig deeper" into the field I would suggest that you in the first instance confine your search to the following publications and what I consider to be leading authorities in the field:

### **Publications:**

Venture Capital Journal (Venture Economics)  
 European Venture Capital Journal (Venture Economics)  
 Journal of Business Venturing  
 Entrepreneurship: Theory and Practice  
 Venture Capital: An International Journal of Entrepreneurial Finance  
 The Journal of Entrepreneurial and Small Business Finance

### **Authorities:**

William Sahlman, Howard Stevenson, Josh Lerner, Paul Gompers (Harvard)

William Bygrave (Babson)  
 Benoit Leleux (IMD)  
 Amar Bhide (Oxford)  
 Harry Sapienza (Minnesota)  
 Jeff Sohl, William Wetzel (New Hampshire)  
 Hans Landström (Sweden)  
 Colin Mason (Hunter Centre for Entrepreneurship) and Richard Harrison (Edinburgh)  
 Sophie Manigart (Ghent)  
 Markku Maula (Aalto)  
 Gordon Murray (Exeter)  
 John Mullins (London Business School)

## Grading Scheme:

Your final grade in the course will be determined by two components:

Individual Submissions	55%
Course Project	45%

### **Individual Submissions:**

During the course, I will assign questions related to specific cases discussed in class. These submissions (5) are due at the beginning of the respective session and may not exceed 1 page (excluding exhibits) and will count towards 25% of the final course grade. I will also distribute early in the course a case study that will require a more detailed (5 pages maximum excluding exhibits) write-up from each student. This individual case assignment will be due at a date to be determined at the beginning of the course and it will count for 25% of the total course grade.

In addition, a maximum 2 page (excluding exhibits) write up is required addressing the question "Crowdfunding: Blessing or Curse?" counting for 5% of the total grade. You are encouraged to concisely synthesize insights from outside sources (cited).

### **Course Project:**

The major course assignment will be a project to be undertaken by groups of no more than 4 students. Regardless of option selected, the report submitted must not exceed 20 pages including exhibits. There are four options available to satisfy the course project requirement:

- The **financing plan option** is targeted those who have a specific entrepreneurial project in mind to launch in the future. You will be expected to produce a detailed blueprint of your intended capitalization strategy.
- The **valuation option** is targeted at those who wish to "benchmark" the valuation placed on an entrepreneurial company that has recently been listed on a public exchange. You will need to obtain a copy of the offering prospectus and will be expected to establish and critically evaluate the basis for valuation. I expect you to comb through information available across different markets.
- The **technical note option** is targeted at those who wish to explore a specific aspect of entrepreneurial finance in detail, such as management issues related to the management of cash flow in high growth firms, the role of corporate venture capital, exit mechanisms, business models, challenges associated with raising money in family business settings, crowdfunding, bitcoin and basically any other topic of interest to your team and acceptable to the instructor.
- The **"unicorn" option** – a growing number of private companies have achieved valuations exceeding \$1 billion – some labeled "decacorns" have achieved valuations in excess of \$10 billion. According to CBI Insights (2019) there are currently 311 unicorn companies with a total combined valuation of \$1,09 trillion. You can access

the updated list her (<https://www.cbinsights.com/research-unicorn-companies>)  
 Choosing any company you like from that list, I would like you dig into the reasons why such a high valuation is warranted relying on company provided and secondary sources of information as well as personal insights for perspective.

Regardless of option selected, the topic must have prior clearance from the instructor to ensure the scope will satisfy course requirements and the project can be completed in a timely manner. I encourage you to avail yourself fully of the ABI Inform database at Aalto. There are three particularly useful "compendium" web sites that can help spearhead the process of identifying relevant background literature that you may find to be invaluable:

- [www.entrepreneurship.org](http://www.entrepreneurship.org) (starting your business, growing your business)
- <http://www.babson.edu/Academics/centers/blank-center/bcerc/Pages/frontiers-of-entrepreneurship-research.aspx> (bleeding edge entrepreneurship research)
- <https://www.cbinsights.com/research-unicorn-companies>

## Schedule of Coming Attractions:

27 February	Course Introduction Rowing Machines (case)
6 March	Crowdfunding and Business Angel Finance Cases: Mobile Productivity, Unique Slimming Programme, Compact Pyrolysis Disposal Products
13 March	Venture Capital Finance Case: Advanced Business Computer
20 March	Working Capital Management Case: Waterstone Bookstores (video)
27 March	Buying an Existing Business / Exiting  Cases: SDX Business Systems (video) Remy International (video)
3 April	Working Your Network: Effectuation Case: R&R

## Submissions & Deadlines:

Due to the large number of participants, the following guidelines will be strictly enforced:

1. While I encourage you to discuss issues in groups, individual assignments must be completed on your own in your own words ...
2. Individual assignment instructions will be provided one week in advance and submissions are to be made through MyCourses by 09.30 on the date where the respective case will be discussed. **There will be no makeups.**
3. The take home exam must be submitted through MyCourses by 17.00 on **1 April 2019**. NO FOOLING!!!
4. The crowdfunding write up must be submitted through MyCourses by 17.00 on **5 April 2019**.
5. The final project must be submitted through MyCourses by 17.00 on **12 April 2019**.