

FINANCING NEW VENTURES

Chandra S. Mishra

Course Objectives

This course is geared to participants who may be interested in starting a new venture, playing a managerial or supporting role in a startup or a corporate venture, investing in new ventures, mentoring new ventures, or leading new business development in large companies.

This course is designed to give each participant an understanding of venture financing and due diligence related issues, including customer value design, business model design, investor exit plan, valuation, deal structuring, risk mitigation plan, within a framework of strategic decision making for entrepreneurial value creation.

Required Readings

Getting Funded, Chandra S. Mishra, Palgrave Macmillan.

A coursepack is also required and is available through the Harvard Business School Publishing. You will need to register at the HBS site to create a user name if you do not already have one. You can then purchase the course pack by doing the following: (1) Visit hbsp.harvard.edu and log in; and (2) Click My Coursepacks, and then click “Financing Ventures Spring 2016.” You may use the link: <https://cb.hbsp.harvard.edu/cbmp/access/43019074>.

Grade Determination

Scheduled Deliverables	40%
Case Quizzes	20%
Team Participation	20%
Class Participation	20%

Class Participation

Effective participation is when a student provides regular and substantive insights into the problem and its solution while taking into consideration the ideas provided by others. In assigning class participation grades, the following scale will be used:

0 points	Student is absent, unprepared or makes no comments
10 points	Student adds minimally but regularly to the discussion.
15 points	Student makes a significant contribution to the discussion.
20 points	Student provides regular and substantive insights

Scheduled Deliverables

The venture investability exercise requires each team to identify, prioritize, and mitigate the critical risks associated with the venture's customer value concept, business model design, and the investor exit strategy. Each team will evaluate the venture's path to market, path to profitability and path to investor liquidity. Each team will be graded for how well the team evaluates the critical risks and reformulates the customer value concept, evaluates and refines the business model design, and evaluates and formulates an investor exit plan. Each team also values the company and crafts an investment term sheet to mitigate the risks and incent the management to grow the company to achieve a successful investor exit. Each student signs an NDA (Non-Disclosure Agreement) prior to receiving a business summary. All business summaries must be discarded at the end.

Team Participation

Individual grades will vary according to each member's contribution to team effort. Each student will fill out a peer evaluation form at the end of the course. A student who does not contribute to a team deliverable will not receive credit for that deliverable.

Case Quizzes

Each student is expected to read the case and readings, and adequately prepare for the class prior to each class. Each student is expected to take all in-class quizzes and participate in the exercises, and keep up with the class assignments on a weekly basis.

Non-Disclosure Agreement

Each student is required to sign an NDA (Non-Disclosure Agreement) to participate in the class. The NDA protects each class participant's business ideas and plans. The signed NDA must be turned in during the first week of the class. A student is not allowed to take this class or participate without a signed NDA.

Tentative Schedule of Sessions

Jan 14		Introduction and Overview
	Preparatory Reading:	Getting Funded, Chapter 1
Jan 21	Case:	Dr. John's Products (HBS)
	Additional Reading:	Getting Funded, Chapter 8
	Case Preparation Questions:	<ol style="list-style-type: none"> 1. What is the opportunity confronting Dr. John's at the time of the case? 2. What can go right? What can go wrong? What can management do to improve the risk-reward ratio?
Jan 28	Case:	EndoNav (HBS)
	Additional Reading:	Getting Funded, Chapter 2
	Case Preparation Questions:	<ol style="list-style-type: none"> 1. Should the company change its sales pitch? How so? 2. How much money should the company raise now? Why?
Feb 4		In-class Team Meeting
	Additional Readings:	Getting Funded, Chapters 3 and 4
Feb 11	Team Deliverable	Customer Value Concept Risk Analysis and Mitigation (PPT Presentation)
Feb 18	Case:	Zipcar: Refining the Business Model (HBS)
	Additional Reading:	Getting Funded, Chapter 5
	Case Preparation Questions:	<ol style="list-style-type: none"> 1. Evaluate Zipcar's business model risks. 2. What should Chase's elevator pitch be at the Springboard forum? 3. Reconfigure Zipcar's business model to mitigate critical risks and improve operating performance.
Feb 25	Case:	Walnut Venture Associates (A) (HBS)
	Additional Reading:	Getting Funded, Chapter 6
	Case Preparation Questions:	<ol style="list-style-type: none"> 1. Evaluate a potential investment in RBS from Walnut's point of view. 2. Identify critical risks associated with RBS' customer value concept, business model

- design, and operations.
3. Estimate RBS' financing needs and its time to sustained positive cash flow.

Mar 3		In-class Team Meeting
	Additional Readings:	Getting Funded, Chapters 5 and 7
Mar 17	Team Deliverable	Business Model Risk Analysis and Mitigation (PPT Presentation)
Mar 24	Case:	Odyssey Healthcare (HBS)
	Additional Reading:	Getting Funded, Chapter 9
	Case Preparation Questions:	<ol style="list-style-type: none"> 1. What would be the advantages and disadvantages of Odyssey being a public company? 2. Would you advise Burnham to go public or consider being acquired?
Mar 31	Case:	WebTracker (HBS)
	Additional Reading:	Getting Funded, Chapter 10
	Class Preparation Questions:	<ol style="list-style-type: none"> 1. What are the primary differences and similarities between the two term sheets? Which do you prefer, and why? 2. What terms do you attend to negotiate with each VC and what would be your negotiation strategy?
Apr 7		In-class Team Meeting
	Additional Readings:	Getting Funded, Chapters 9 and 10
Apr 14	Team Deliverable	Investor Exit Plan and Valuation (PPT Presentation)
Apr 21	Negotiation Exercise	Walnut Venture Associates (A) and (D) (HBS)
	Preparation Questions:	<ol style="list-style-type: none"> 1. What is a reasonable valuation for RBS in June'98? 2. What proposal terms do you find most troubling and why?
Apr 30	Final Deliverables	<ol style="list-style-type: none"> 1. Investment Memorandum and Term Sheet (Team Write-up, Five pages plus term sheet, double-spaced, 12-point font, one inch margin around) 2. Peer Evaluation Form (Each Student)