



MGMT 765

Venture Capital and Entrepreneurial Management: Practices and Institutions of Silicon Valley.

MBA Program and MBA Program for Executives Program

Date(s): March 6-9, 2017

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The Robert B. Goergen Professor of Entrepreneurship

Doug Collom
Adjunct Professor of Management

Location: Wharton | *San Francisco*

Dates/Times:* Monday,: 8:00am – 6:00pm
Tuesday,: 8:00am – 6:00pm
Wednesday,: 8:00am – 6:00pm
Thursday,: 8:00am – 4:00pm
**Specific times may vary as activities are scheduled*

Course Credit: 0.5 cu

Course Theme:

Venture capital and the technology sector that it supports¹ continue to evolve at a bewildering pace. Beginning with the dot-com bubble of 1998-2000, the industry has been buffeted by one dynamic development after another. These have included, among others, the dramatic economic upheaval in 2008-2009; the explosive growth of early stage companies with an Internet-based business model; the sharp reduction in infrastructure costs of starting up companies; the globalization of business in general; and the emergence of crowdfunding and

¹ For purposes of our class, the technology sector includes companies in a wide range of industries that look to venture capital as a principal financing resource. These industries include traditional technology companies (software, internet, semiconductor, electronic hardware, and mobile, etc.), biotech companies (medical device, pharmaceutical, life science, digital health and health care, etc.), clean and green tech companies (fuel cell, solar, wind, battery storage, conservation technologies, etc.), homeland security companies, and consumer companies (social media, e-commerce, gaming, web 2.0, etc.).

accelerators/incubators as alternative channels of funding. Currently, the technology sector in general is experiencing another cycle change, where high valuations, round sizes and exit opportunities are all coming into question.

The San Francisco Bay Area, embracing in particular the nine counties that comprise Silicon Valley as well as San Francisco proper, is recognized as the global center of gravity in the venture capital/startup arena. Measured annually in terms of number of VC financing transactions and well as level of VC investments, the Bay Area consistently ranks substantially ahead of any other technology enclave in the world. It is home to many iconic technology companies at all stages of growth, including Apple Computer, Cisco, Google, Facebook, Uber, Airbnb, Tesla, LinkedIn, and Palantir, to name only a few. It is also home to renowned venture capital firms that support these companies, including Sequoia Capital, Kleiner Perkins Caulfield and Byers, Accel Partners, New Enterprise Associates, Bessemer Capital and Greylock, and the list goes on. The Bay Area is known for its thought leadership in the sector, the experience and sophistication of the investors and entrepreneurs who are the principal agents on this stage, and the depth of the technology and support infrastructure that has been evolving since venture capital first surfaced on Sand Hill Road in the late 1970's.

Course Objectives:

This class will highlight venture capital and entrepreneurship in general and will explore selected aspects of this industry, including: industry trends and dynamics in Silicon Valley and the South of Market area (SOMA) of San Francisco; the recent emergence of alternative sources of startup financing, including incubators/accelerators and crowdfunding platforms, angel groups and stage-agnostic institutional investors; business and operational aspects of early stage companies in transition to mezzanine-level stages of growth; and company "exits," including both initial public offerings and merger/sale transactions. The learnings will be based on (i) daily lectures, (ii) insights from leading VCs, entrepreneurs, executives, and government officials (iii) a range of readings and supporting industry facts to provide context for the technology environment in the Bay Area; (iv) daily site visits to companies that will provide students with an opportunity to engage with the executives of the companies we visit, and (v) daily debriefs in the classroom

Class activities will include daily lectures along with site visits to technology companies, VC firms and incubators/accelerators, and debriefing presentations/discussions led by student teams. Students will be expected to do the course readings to participate in discussions and class debriefings, and to write a paper related to instructional content and learnings from company visits.

Study Team Formation

Class assignments will be undertaken by study teams of up to 4 students per team. Study teams must be formed with team names submitted electronically to the professors no later than [date], at 10:00 AM PDT.

Each study team will be responsible for:

- Study and evaluation of a pre-designated company, assigned by the professors. Each designated company is one that we will visit. Study team members will be responsible for researching the background, industry and business model of the assigned company, and for leading a Q&A session immediately following the company's presentation to our class.
- A debrief on the team's assigned company to the class at the end of the day. Each debrief will consist of a presentation not to exceed 15 minutes in length and will focus on key observations and insights.

Grading Criteria:

- 45%: Final paper on a topic of your choice related to the course: 12-16 pages, double spaced, excluding tables, displays or references, using Times New Roman 12-point font, due no later than [date]
- 25%: Individual participation in lectures, discussions, and company visits
- 30%: Preparation/briefing/debriefing work, by study team assignment, based on readings, lectures, and company visits

Required Readings:

Required and supplemental readings are indicated in the syllabus below and will be compiled in a course pack. The course pack will be available on the course Canvas site and on Study.net.

Company Visit Etiquette:

This course will involve bus travel and a number of site visits to companies and organizations in the City of San Francisco and the greater San Francisco Bay Area. Please note the following:

- **Please be exactly on time for our travel by bus. It's important we stay on schedule—any stragglers will force the entire group to be late or will be left behind.**
- Attire for all site visits is business casual (i.e. no jeans, no t-shirts).

- Be sure to bring and wear your Wharton nametag.
- Attendance at all lectures and site visits is required.
- Please be courteous and respectful at all times during the visits.
- If you ask a question during the Q&A portion of the discussions with executive management of the companies and organizations we visit, please stand up first, state your name, and the company you work for. Speak clearly. Be sure your questions are thoughtful and germane to the presentation.
- Keep in mind that you are not only representing Wharton, you are also representing your class, the faculty and the staff who have worked hard to put these visits together.

SELECTED ISSUES IN VENTURE CAPITAL AND ENTREPRENEURIAL MANAGEMENT IN SILICON VALLEY

Day 1: MONDAY		
<p>Greeting 8:00am</p>	<p>Orientation and Class Introduction</p> <p>Professor greeting, and course overview; review of course objectives and student assignments</p> <p>Student introductions</p>	<ul style="list-style-type: none"> • This session will include a course overview, an updated schedule for the week, and a review of course deliverables and expectations
<p>Morning Lecture 8:15-9:30am</p>	<p>Industry Overview and Dynamics</p>	<ul style="list-style-type: none"> • An overview and brief history of the venture capital industry in general and its role in supporting emerging growth companies • Industry trends and dynamics, with particular focus on the SF Bay Area • Commentary on the ecosystem of investors and prominent angel and VC firms; financial return objectives of the asset class for investors at all levels of the investment food chain • Review of selected VentureSource / MoneyTree / PitchBook slides
<p>Travel and Company Visits 9:45am-4pm</p>	<p>Firms and Speakers to Be Determined</p>	<p>Category of firm & speaker/expected topic:</p> <ul style="list-style-type: none"> • Established venture capital firms & senior partner • Expected topics: <ul style="list-style-type: none"> ○ Role and history of each firm as a foundational element in Silicon Valley ○ Factors behind the firm's success, and challenges to remain successful ○ The evolution of business models of successful VC firms in Silicon Valley.

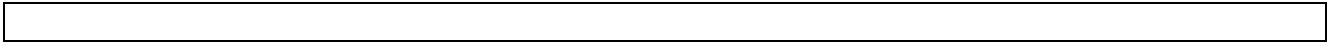
Afternoon Session and Student Debriefs 4:15-6:00pm		<ul style="list-style-type: none"> • Student debriefs on company visits • A high level discussion of the key factors that define the Silicon Valley culture and mentality; can the Bay Area's leadership be sustained; what factors contribute to/detract from this leadership position
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Required Readings for Monday:

- **“Chapter 1. Introduction,” and “Chapter 2. Dream Makers: The Secret Sauce Behind Silicon Valley’s Success (1950-2010),” *A History of Silicon Valley—the Greatest Creation of Wealth in the History of the Planet*, by Arun Rao and Piero Scaruffi (2011)**
- **“Chapter 2. Why Silicon Valley Exists,” *Secrets of Silicon Valley*, by Deborah Perry Piscione (2013)**
- **“Venture Impact: The Economic Importance of Venture Capital-Backed Companies to the U.S. Economy”, by IHS Global Insights and National Venture Capital Association (NVCA), 2011**
- **“Does Venture Capital Foster the Most Promising Entrepreneurial Firms?” by R. Amit, L. Glosten & E. Muller, *California Management Review*, 32 (3): 102-111, 1990**
- **“A Note on the Venture Capital Industry,” Harvard Business School (HBS # 9-295-065, July 12, 2001)**
- **“Here’s The Evidence That The Tech Bubble Is About To Burst” by Jim Edwards, *Business Insider* (November 5, 2014)**

Supplemental Reading:

- **“Can Entrepreneurship Be Taught?” by Noam Wasserman, *Wall Street Journal* (March 19, 2012)**
 - **“Yes: Learn About the Pitfalls,” by Noam Wasserman, *Wall Street Journal* (March 19, 2012)**
 - **“No: The Best Class Is Real Life,” by Victor W. Hwang, *Wall Street Journal* (March 19, 2012)**
 - **“Made or Born? Characteristics of successful entrepreneurs,” by Ernst & Young, *Wall Street Journal* (March 19, 2012)**
- **“LPs Warm Up To Venture” by Mark Boslet, *Venture Capital Journal* (October 15, 2014)**
- **“Math Beats Myth for LPs Investing in Venture,” by Rory O’Driscoll, *Scale Venture Partners* (May 10, 2013)**
- **“4Q 2014 PitchBook U.S. Venture Industry Report” by Alex Lykken & Andy White & Daniel Cook & Garret Black**



Day 2: TUESDAY

<p>Morning Lecture 8:00-9:30am</p>	<p>Recent Financing Alternatives in the Entrepreneurial Ecosystem</p>	<ul style="list-style-type: none"> • Industry changes in the financing ecosystem; examination of main investor categories within the food chain; strategic/corporate investors; incubators and accelerators; crowdfunding; fundraising strategies and challenges • Identifying pros and cons in connection with specific investor categories for early stage companies
<p>Travel and Company Visits 9:30am-4pm</p>	<p>Firms and Speakers to Be Determined</p>	<p>Category of firm & speaker/expected topic:</p> <ul style="list-style-type: none"> • Established incubator or accelerator & CEO/founder • Expected topics: <ul style="list-style-type: none"> ○ The mission, impact and business model of the organization ○ The pros and cons of similar organizations ○ The pros/cons of the equity model vs. the real estate model, and how incubators/accelerators must differentiate to survive • Established crowdfunding platform & CEO/founder • Expected topics: <ul style="list-style-type: none"> ○ The forces behind crowdfunding as one of the most dynamic developments in the investment landscape ○ Impact of crowdfunding on traditional venture investing
<p>Afternoon Session and student debriefs 4:15-6:00pm</p>		<ul style="list-style-type: none"> • Established corporate venture capital organization & managing director • Expected topics:

		<ul style="list-style-type: none"> ○ The emergence of the corporate VC as an active player in the investment environment ○ Differences in investing practices from private VC firms <ul style="list-style-type: none"> • Student debriefs on company visits • Class discussion on the roles, marketing differentiation, capabilities and sustainability of the different investment structures in incubators/accelerators, crowdfunding platforms, angels and micro-VCs.
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Required Readings for Tuesday:

- **“Ownership, Dilution, Negotiation, and Valuation,” Chapter 7 in High Tech Start-Up: The complete handbook for creating successful new high tech companies, by J. Nesheim (2000)**
- **“Strategic Investors in the Early-Stage Company” by Allison Spinner, WSGR Entrepreneurs Report (Winter 2007)**
- **“Best Practices For Raising a VC Round,” by Chris Dixon (May 4, 2011) “How Crowd-Funding Is Changing Everything and What That means for Your Startup”, First Round Review**
 - **Swept Away by the Crowd? Crowdfunding, Venture Capital, and the Selection of Entrepreneurs (Mollick , 2013)**
 - **The dynamics of crowdfunding: An exploratory study (Mollick JBV 2014)**
 - **Democratizing Innovation and Capital Access: The role of Crowdfunding (CMR, Mollick and Robb, 2016)**

Day 3: WEDNESDAY

<p>Morning Lecture 8:00-9:30am</p>	<p>Managing Growth in the Venture-Backed Company</p>	<ul style="list-style-type: none"> • Key operational lessons during the “build” phase of the startup • The economics behind multiple financings in high valuation companies; the effects of equity dilution and liquidation preferences on VC exit objectives and employee incentives • HR and organizational management • Factors that drive institutional investors, PE firms and public market investors to participate in high valuation private companies • Business model innovation
<p>Travel and Company Visits 9:30am-4pm</p>	<p>Companies and Speakers to Be Determined</p>	<p>Category of firm & speaker/expected topic:</p> <ul style="list-style-type: none"> • Established venture capital firm & senior partner/author • Expected topics: <ul style="list-style-type: none"> ○ Discussion of business model innovation and key marketing strategies and goals for tech companies • Established high growth tech company & • Expected topics: <ul style="list-style-type: none"> ○ The challenges of creating structure and support in a hyper-growth company • Established thought leader • Expected topics: <ul style="list-style-type: none"> ○ The importance of leadership and culture in a growing organization • Established investment management/PE firm & senior manager

<p>Afternoon session and Student Debriefs 4:15-6:00 pm</p>		<ul style="list-style-type: none"> • Expected topics: <ul style="list-style-type: none"> ○ Outlook of the non-VC investor relating to the high-valuation mezzanine-level company • Student debriefs on company visits • Class discussion on the perils and challenges facing high growth companies from the investor and the entrepreneurial perspectives; and corporate culture, leadership and the importance of corporate values
<p>Required Readings for Wednesday:</p> <ul style="list-style-type: none"> • “Chapter 1—High Tech Marketing Illusion,” “Chapter 2—High Tech Marketing Enlightenment,” and “Conclusion—Getting Beyond the Chasm,” <i>Crossing the Chasm</i> (Third Edition), by Geoffrey A. Moore (2014) • “Chapter Six—Match the Size of the Organization to the Size of the Market,” <i>The Innovator’s Dilemma</i>, by Clayton M. Christensen (1997) • “Chapter 2. Level 5 Leadership,” <i>Good to Great</i>, by Jim Collins (2001) • “Creating value through business model innovation” (With C. Zott), <i>Sloan Management Review</i>, Volume 53(3), pp. 41-49, Spring 2012. • “The Business Model” (with C. Zott), <i>Blackwell Encyclopedia of Entrepreneurship</i>, Wiley-Blackwell, Forthcoming, 2015 		

Day 4: THURSDAY

<p>Morning Lecture 8:00-9:30am</p>	<p>Exits by the Venture-Backed Company</p>	<ul style="list-style-type: none"> • Challenges and objectives of managing liquidity in an IPO • Regulatory foundation and company preparation for an IPO • Key company performance attributes required to go public; underwriter roles and expectations; normative timeline for an IPO; liquidity issues for VCs and founders • Mergers/acquisitions as an exit alternative to the IPO
<p>Travel and Company Visits 9:30am-2pm</p>	<p>Companies and Speakers to Be Determined</p>	<p>Category of firm & speaker/expected topics:</p> <ul style="list-style-type: none"> • Established iconic mezzanine-level tech company & senior executive • Expected topics: <ul style="list-style-type: none"> ○ Strategic considerations, drivers and concerns behind the decision to be a public company ○ Considerations in engaging in an acquisition transaction, whether as buyer or target • Bulge bracket investment banking firm & senior executive • Expected topics: <ul style="list-style-type: none"> ○ Perspectives of a bulge bracket investment banker as an underwriter for a tech company IPO ○ Evaluating factors and configurations for a successful IPO or merger/acquisition
<p>Afternoon session and student Debriefs Lecture 2:15-4:00pm</p>		<ul style="list-style-type: none"> • Established law firm & senior partner • Expected topics: <ul style="list-style-type: none"> ○ Challenges, costs and issues to be expected in taking a company public

		<ul style="list-style-type: none"> • Student debriefs on company visits • Class discussion on the current economic cycle affecting exits for the tech sector company; and strategies for optimizing value when both IPO and M&A are viable alternatives • Class wrap up
<p>Required Readings for Thursday:</p> <ul style="list-style-type: none"> • “Deciding Whether to Go Public,” <i>The Public Company Primer—A Practical Guide to Going Public, Raising Capital and Life as a Public Company</i>, by RR Donnelly (2011) • “A Note on the Initial Public Offering Process”, (HBS note # 9-200-018, July 20, 2007) • “SpeedSim: Made to Exit!” by Naeem Zafar and Victoria Chang, <i>California Management Review</i>, 54(4): 143-155, 2012 		
<p style="text-align: center;">Closing Dinner Location to be determined 5:30-8:00pm</p>		
<p>Final paper due no later than [date]. The paper should select and discuss a key topic relating to class content and visits, whether at the company- or industry-level. Papers will be graded on the basis of depth of insights and observations, lessons learned, analysis of strengths and weaknesses of the tech community, and basic writing fundamentals for an essay of this nature.</p>		