COURSE DESCRIPTION

This course seeks to provide an understanding of the venturing process and the knowledge and skills that are required to manage organizations so that innovations and new businesses are generated and growth is sustained. The course will integrate both an academic and practitioner view of the challenges facing entrepreneurs and investors involved in business start-up, venture capital, and private equity investment activities.

The course draws on a variety of disciplines, including management and finance, to develop frameworks and techniques that are needed to plan, start, evaluate, and successfully operate venturing initiatives. It should be of interest to those who wish to work as the general manager of a corporate venture, a senior manager overseeing a corporate venturing program, or as a member of a venture capital or private equity investment company.

Course Themes

The course focuses on seven principal themes:

Renewing the Mature Corporation - where we examine the issues involved in cultivating creativity and innovation and in executing venture capital investments in the mature corporation.

Evaluating Opportunities and Developing Strategies - where we examine the issues involved in screening and launching a start-up, raising capital and valuing partner contributions.

Conducting Due Diligence - where we examine the issues involved in discovering and analyzing information about a venture.

Marshalling Resources and Making Choices - where we examine the issues involved in developing negotiation and capital raising strategies and creating financial and operational flexibility.

Assessing Strategic Acquisitions - where we examine the issues involved in generating growth through an acquisition strategy.

Running the Growing Company - where we examine the issues involved in managing the transition from start-up and in formulating growth strategies.

Operating as a Corporate Venture Capitalist - where we examine the issues involved in doing deals and making decisions within a corporate venture capital organization.

Course Methods

Class assignments and discussions are designed to develop the critical thinking, communication and managerial skills necessary to successfully plan, start, successfully operate or invest in corporate venturing initiatives. Each class will include discussion of readings, case analysis and group activities. Students will analyze cases with an action orientation, for example, what steps should we
take to further the development of the venture? What are the venture’s risks and how should they be managed? How should the company be financed? How should the deal be priced and structured? What tactics might be utilized in order to secure a more favorable deal? We will adopt the perspective of different roles in all case discussions (for example, the issuer versus the financier, corporate investors versus fund operators and angels). A brief lecture and discussion of the assigned readings will follow the case analyses.

**Classroom Contributions.** The learning experience in a course like this one depends heavily on each student being prepared to actively participate in every class session. We all have expectations that will enrich the topic and direction of discussion in the course. This means that you need to be fully acquainted with the readings and cases for a given session. Positive participation includes attendance, active involvement in all in-class exercises and discussions, and maintenance of a classroom demeanor that encourages the participation of others. You will be evaluated on the quantity as well as the quality of your contribution and insights. Quality comments possess one or more of the following attributes: (a) Contribute to moving the discussion forward; (b) Offer a different, unique and relevant perspective on the issue; (c) Build on other comments of others; and (d) Include some evidence or analysis of inherent tradeoffs, i.e., demonstrate reflective thinking.

**Written case analyses.** Students will be required to prepare two written case-related analyses of “Walnut Venture Associates” and “CMGI: Organizational and Market Innovation”. These assignments are due on July 18 and August 1 at 4 PM respectively. They should be a maximum of 5 pages, excluding exhibits. The case analysis papers consist of in-depth written analysis and application of techniques and methods to a company’s venturing experience. The papers should address the questions assigned in the syllabus for the discussion day for each of the aforementioned cases. The case assignments will be graded for content and format. You are required to turn in papers that conform to professional standards of organization, grammar, punctuation, spelling, and paragraph/sentence structure.

**Delivery.** Reports should be sent by email to each of the following two addresses: gokun@stern.nyu.edu and glenn.a.okun@tems.com. Students must send two separate emails (not one in which the other address receives a copy upon delivery).

**Required Materials. Cases and Readings Packet**

**Grading Plan.** The course grade will be based on the following components and weights:

- Classroom Contributions: 20%
- Case Report 1: 40%
- Case Report 2: 40%
Instructor

Glenn A. Okun is an executive in residence at New York University Stern School of Business where he teaches courses in private equity, venture capital, investment management and other finance topics. Mr. Okun advises corporations on financial and investment matters. He was President of Mitchum, Jones & Templeton, a merchant bank and broker dealer headquartered in San Francisco, California from 1998 to 2001. He previously served as a Director of Allen & Company Incorporated in New York. Mr. Okun invested in early and later stage financings of private companies in various industries. He also ran a small cap emerging growth stock hedge fund and a special situations portfolio. Mr. Okun has advised corporate clients on mergers, acquisitions and restructurings and has underwritten public offerings and private placements of securities. Mr. Okun began his investment career at the IBM Retirement Fund where he invested in mezzanine private placements, real estate, public emerging growth equities and oil and gas assets. Mr. Okun holds JD and MBA degrees from Harvard University and a BA degree from Wesleyan University.
SCHEDULE

July 5

Renewing the Mature Corporation

Session #1  Stimulating Organizational Innovation
Case: Corporate New Ventures at Proctor & Gamble
Reading: “Blue Chip Entrepreneurs”
“How to Kill Creativity”
Question: What is P&G’s reasons for venturing? What are the challenges facing CNV?

Session #2  Organizing the Venture Investment Process
Case: Xerox Technology Ventures
Reading: “Making Sense of Corporate Venture Capital”
Question: What are the challenges associated with corporate venture capital? Why did Xerox create XTV? What are the merits of the idea?

July 13 (Sun.)

Evaluating Opportunities and Developing Strategies

Session #3  Screening the Deal
Case: “Martin Smith”
Questions: Which deal should Martin recommend that his organization pursue? Evaluate the investment process.

Session #4  Launching the New Venture
Case: “Palm Computing”
Questions: What are Jeff’s most significant risks at this point in the venture? What strategy should be adopted for accelerating the development of Palm?

July 19

Conducting Due Diligence

Session #5  The Investor’s Perspective
Case: “Walnut Venture Associates (A)”
Reading: “Some Thoughts on Business Plans”
Questions: What issues require investigation after analyzing the RBS Group business plan? How do you propose acquiring or developing the information in order to understand the open issues and to perform a risk assessment for the business?
Session #6  The Entrepreneur’s Perspective  
Case:  “Walnut Venture Associates (B,C,D)” (to be handed out)  
Questions:  As Bob O’Connor, how do you assess the attractiveness of having Walnut as an investor? How do you respond as the entrepreneur to the additional analytical requests by Walnut?

July 26  
Marshalling Resources and Making Choices  
Session #7  Negotiation and Capital Raising Strategies  
Case:  “Palm Computing 2”  
Readings:  “A Note on Pre and Post Money Valuations”  
“Deal Structure”  
“Valuation of Venture Capital Deals”  
“A Note on Valuation in Private Equity Settings”  
“A Note on Private Equity Securities”  
Questions:  What is your recommendation? Evaluate each of the proposals carefully, assessing the advantages, disadvantages and risks of the proposals for both the business and for the founders.

Session #8  Strategic Alliances  
Case:  “Parenting Magazine”  
Reading:  “Collaborative Advantage: The Art of Alliances”  
“Relational Quality: Managing Trust in Corporate Alliances”  
“Is Your Strategic Alliance Really a Sale?”  

August 2  
Assessing Strategic Acquisitions  
Session #9  Acquisition Strategies  
Case:  “Kendle International Inc.”  
Questions:  What strategic choices does Kendle face? Should the firm be sold in early 1997? Compare the sale price to the company’s stand-alone value. Do the target acquisitions make sense? What course of action do you suggest?  
Readings:  “A Note on Valuing Private Businesses”  
“An Introduction to Cash Flow Valuation Methods”  
“LBOs for Smaller Companies”
Operating as a Corporate Venture Capitalist

Session #10

Case: “CMGI: Organizational and Market Innovation”

Questions: Evaluate yesmail as a potential member of the CMGI family. What has @Ventures contributed to CMGI’s success? How has its role changed over time? What are the limits to growth of the CMGI business model?

August 9

Operating as a Corporate Venture Capitalist

Session #11

Case: “Dell Ventures”

Questions: Why did Dell introduce the corporate venture capital effort? How is it organized? Describe the resources, due diligence process and target company profile at Dell. Why would an entrepreneur accept an investment from Dell? What conflicts exist between the operating and venture entities at Dell?

Running the Growing Company

Session #12 Deal Structure and Financing

Case: “Beta Golf”

Readings: “Networked Incubators: Hothouses of the New Economy”

Questions: Why does Beta Group exist? Describe the firm’s economic function. What is Beta’s business model? Create a sensible development and sequential action plan for the HXL technology. What should management do after Callaway’s response? How would this project evolve if it were developed inside of an existing industry competitor? What would a venture capitalist do with Beta Golf next?