

# *The Hebrew University of Jerusalem*

## *Syllabus*

### *Advanced Entrepreneurial Finance - 55705*

*Last update 05-11-2019*

*HU Credits: 1*

*Degree/Cycle: 2nd degree (Master)*

*Responsible Department: Business Administration*

*Academic year: 0*

*Semester: 1st Semester*

*Teaching Languages: English*

*Campus: Mt. Scopus*

*Course/Module Coordinator: Prof marco darin*

*Coordinator Email: [michal.malinovitch@gmail.com](mailto:michal.malinovitch@gmail.com)*

*Coordinator Office Hours: By appointment*

*By appointment*

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Teaching Staff:

Course/Module description:

*The course will cover a selection of topics in entrepreneurial finance.*

Course/Module aims:

*The goal is to introduce you to interesting topics and recent research spanning economics, finance, and (a bit of) strategy. You will come out knowing well the topical issues and some good papers. You will also learn about conceiving and executing a good research paper.*

Learning outcomes - On successful completion of this module, students should be able to:

*At the end of the course the student will know the topics of the course in depth alongside key articles on each topic. The student will learn how to write a good research paper*

Attendance requirements(%):

*80%*

*Teaching arrangement and method of instruction: For each topic we will go through three steps: (i) I will introduce the literature pointing out main open research questions and main data and methodology issues; (ii) we will delved deep down the 'Main Paper' together; (iii) we will discuss one or two other papers in some depth. Let me stress the interactive nature of this advanced class: I am there mostly to give you direction into the literature and to guide the discussion, but without your individual contributions you will learn very little*

*I will expect that all of you have read carefully each Main Paper and prepared to answer all of the following five questions (I will ask each of you in class):*

- what is the research question?*
- what is the contribution?*
- what is/are the main methodological hurdles, and how does the paper address them?*
- what new questions does the paper open up for research?*
- what do you find disappointing or exciting about the paper?*

*I will also expect that you have read once the other paper in the 'Other Important*

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*Papers' list. The additional readings are for those interested to further pursue the topic.*

*Course/Module Content:*

- *Introduction to Entrepreneurial Finance research*
- *Investor value-adding*
- *Contracting*
- *Alternative sources of entrepreneurial finance*
- *Finance and the incentives for innovation*
- *Policy issues*

*Required Reading:*

*Introduction to Entrepreneurial Finance research*

*Main Paper:*

*Manju Puri and Rebecca Zarutskie. 2012. "On the Life Cycle Dynamics of Venture-Capital- and Non-Venture-Capital-Financed Firms." The Journal of Finance 67 (6): 2247-93.*

*(in the first class I will spend more time introducing topics and research in entrepreneurial finance, so you do not have other important papers to read)*

*Additional readings:*

*Åstebro, Thomas, Holger Herz, Ramana Nanda, and Roberto Weber. 2014. "Seeking the Roots of Entrepreneurship: Insights from Behavioral Economics." Journal of Economic Perspectives 28 (3): 49-70.*

*Kerr, William, and Ramana Nanda. 2015. "Financing Innovation." Annual Review of Financial Economics 7 (1): 445-62.*

*Samila, Sampsa, and Olav Sorenson. 2011. "Venture Capital, Entrepreneurship, and Economic Growth." The Review of Economics and Statistics 93 (1): 338-49.*

*Investor value-adding*

*Main Paper:*

*Thomas Chemmanur, Karthik Krishnan, and Debarshi Nandy. 2011. "How Does Venture Capital Financing Improve Efficiency in Private Firms? A Look Beneath the Surface." The Review of Financial Studies 24 (12): 4037-90.*

*Other Important Papers:*

*Shai Bernstein and Xavier Giroud, and Richard Townsend. 2016. "The Impact of Venture Capital Monitoring." The Journal of Finance 71 (4): 1591-1622.*

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Michael Ewens and Matthew Rhodes-Kropf. 2015. "Is a VC Partnership Greater Than the Sum of Its Partners?" *The Journal of Finance* 70 (3): 1081-1113.

*Additional readings:*

Bottazzi, Laura, Marco Da Rin, and Thomas Hellmann. 2008. "Who Are the Active Investors? Evidence from Venture Capital." *Journal of Financial Economics* 89 (3): 488-512.

Ewens, Michael, and Matt Marx. 2018. "Founder Replacement and Startup Performance." *The Review of Financial Studies* 31 (4): 1532-65.

Gans, Joshua, David Hsu, and Scott Stern. 2002. "When Does Start-Up Innovation Spur the Gale of Creative Destruction?" *RAND Journal of Economics* 33 (4): 571-86.

Hsu, David. 2006. "Venture Capitalists and Cooperative Start-up Commercialization Strategy" *Management Science* 52 (2): 204-219.

Hellmann, Thomas, and Manju Puri. 2002. "Venture Capital and the Professionalization of Start-Up Firms: Empirical Evidence." *The Journal of Finance* 57 (1): 169-97.

*Contracting*

*Main Paper:*

Will Gornall and Ilya Strebulaev. 2019. "Squaring Venture Capital Valuations with Reality." *Journal of Financial Economics*, Forthcoming.

*Other Important Papers:*

Laura Bottazzi, Marco Da Rin, and Thomas Hellmann. 2009. "What Is the Role of Legal Systems in Financial Intermediation? Theory and Evidence." *Journal of Financial Intermediation* 18 (4): 559-98.

- Broughman, Brian, and Jesse Fried. 2010. "Renegotiation of Cash Flow Rights in the Sale of VC-Backed Firms." *Journal of Financial Economics* 95 (3): 384-99.

*Additional readings:*

Bengtsson, Ola, and Berk Sensoy. 2011. "Investor abilities and financial contracting: Evidence from venture capital" *Journal of Financial Intermediation*. 20(2): 477-502.

Bengtsson, Ola, and Berk Sensoy. 2015. "Changing the Nexus: The Evolution and Renegotiation of Venture Capital Contracts." *Journal of Financial and Quantitative Analysis* 50 (3): 349-75.

Kaplan, Steven, and Per Strömberg. 2003. "Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts." *The Review of*

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*Economic Studies* 70 (2): 281–315.

### *Alternative sources of entrepreneurial finance*

#### *Main Paper:*

Shai Bernstein, Arthur Korteweg, and Kevin Laws. 2017. "Attracting Early-Stage Investors: Evidence from a Randomized Field Experiment." *The Journal of Finance* 72 (2): 509–38.

#### *Other Important Papers:*

Christian Catalini and Xiang Hui. 2018. "Online Syndicates and Startup Investment." Working Paper 24777. NBER.

Thomas Hellmann. 2002. "A Theory of Strategic Venture Investing." *Journal of Financial Economics* 64 (2): 285–314.

#### *Additional readings:*

Alvarez-Garrido, Elisa, and Gary Dushnitsky. 2016. "Are Entrepreneurial Venture's Innovation Rates Sensitive to Investor Complementary Assets? Comparing Biotech Ventures Backed by Corporate and Independent VCs" *Strategic Management Journal* 37: 819–834.

Agrawal, Ajay, Christian Catalini, and Avi Goldfarb. 2015. "Crowdfunding: Geography, Social Networks, and the Timing of Investment Decisions." *Journal of Economics & Management Strategy* 24 (2): 253–74.

Benson, David, and Rosemarie Ziedonis. 2010. "Corporate Venture Capital and the Returns to Acquiring Portfolio Companies." *Journal of Financial Economics* 98 (3): 478–99.

Chemmanur, Thomas, Elena Loutskina, and Xuan Tian. 2014. "Corporate Venture Capital, Value Creation, and Innovation." *The Review of Financial Studies* 27 (8): 2434–73.

Fahlenbrach, Rüdiger, and Marc Frattaroli. 2019. "ICO investors". ECGI Finance Working Paper 618/2019.

Fehder, Daniel, and Yael Hochberg. 2018. "Can Accelerators Accelerate Local High-Growth Entrepreneurship? Evidence from Venture-Backed Startup Activity." Mimeo. Rice University, Jones Graduate School of Business.

Kerr, William, Josh Lerner, and Antoinette Schoar. 2014. "The Consequences of Entrepreneurial Finance: Evidence from Angel Financings." *The Review of Financial Studies* 27 (1): 20–55.

Lee, Samuel, and Petra Persson. 2016. "Financing from Family and Friends." *The*

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*Review of Financial Studies* 29 (9): 2341–86.

Lerner, Josh, Antoinette Schoar, Stanislav Sokolinski, and Karen Wilson. 2018. "The Globalization of Angel Investments: Evidence across Countries." *Journal of Financial Economics* 127 (1): 1–20.

Lyandres, Evgeny, Berardino Palazzo, and Daniel Rabetti. 2018. "Are Tokens Securities? An Anatomy of Initial Coin Offerings." Mimeo. Boston University, Questrom School of Business.

Robb, Alicia, and David Robinson. 2012. "The Capital Structure Decisions of New Firms." *The Review of Financial Studies* 27 (1): 153–79.

Wei, Zaiyan, and Mingfeng Lin. 2016. "Market Mechanisms in Online Peer-to-Peer Lending." *Management Science* 63 (12): 4236–57.

*Finance and the incentives for innovation*

*Main Paper:*

Vikas Aggarwal and David Hsu. 2014. "Entrepreneurial Exits and Innovation" *Management Science* 60(4): 867–887.

*Other Important Papers:*

Shai Bernstein. 2015. "Does Going Public Affect Innovation?" *The Journal of Finance* 70 (4): 1365–1403.

Daniel Ferreira, Gustavo Manso, and André Silva. 2014. "Incentives to Innovate and the Decision to Go Public or Private." *The Review of Financial Studies* 27 (1): 256–300.

*Additional readings:*

Ewens, Michael, Ramana Nanda, and Matthew Rhodes-Kropf. 2018. "Cost of Experimentation and the Evolution of Venture Capital." *Journal of Financial Economics* 128(3): 422–442.

Manso, Gustavo. 2011. "Motivating Innovation." *The Journal of Finance* 66 (5): 1823–60.

*Policy issues*

*Main Paper:*

William Kerr and Ramana Nanda. 2009. "Democratizing Entry: Banking Deregulations, Financing Constraints, and Entrepreneurship," *Journal of Financial Economics*, 94 (1): 124–149.

*Other Important Papers:*

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Geraldo Cerqueiro, Deepak Hegde, María Fabiana Penas, and Robert Seamans. 2016. "Debtor Rights, Credit Supply, and Innovation." *Management Science* 63 (10): 3311-27.

Daniel Elfenbein, Barton Hamilton, and Todd Zenger. 2010. "The Small Firm Effect and the Entrepreneurial Spawning of Scientists and Engineers", *Management Science* 56(4): 659-681.

*Additional readings:*

Brander, James, Qianqian Du, and Thomas Hellmann. 2015. "The Effects of Government-Sponsored Venture Capital: International Evidence." *Review of Finance* 19 (2): 571-618.

Gompers, Paul, Josh Lerner, and David Scharfstein. 2005 "Entrepreneurial Spawning: Public Corporations and the Genesis of New Ventures, 1986 to 1999", *Journal of Finance* 60(2): 577-614.

Nanda, Ramana, and Matthew Rhodes-Kropf. "Innovation Policies." In *Entrepreneurship, Innovation, and Platforms*. Vol. 37, edited by Jeffrey Furman, Annabelle Gawer, Brian Silverman, and Scott Stern, 37-80.

Samila, Sampsa, and Olav Sorenson. 2011. "Noncompete Covenants: Incentives to Innovate or Impediments to Growth." *Management Science* 57 (3): 425-38.

Additional Reading Material:

See Required reading at each subject

Course/Module evaluation:

End of year written/oral examination 0 %

Presentation 0 %

Participation in Tutorials 30 %

Project work 70 %

Assignments 0 %

Reports 0 %

Research project 0 %

Quizzes 0 %

Other 0 %

Additional information:

The course will be held on January 12-16, 2020