



THE LONDON SCHOOL  
OF ECONOMICS AND  
POLITICAL SCIENCE ■

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**Entrepreneurial Strategy**

Lent 2009

## **SYLLABUS**

### **A. ADMINISTRATIVE INFORMATION**

#### **Contact Information**

Email :                      luis.garicano@gmail.com  
Hours:                        By appointment –send me an email

#### **Materials**

- Course Packet (Required)

### **B. COURSE OVERVIEW**

This course is designed to accomplish two things: (1) to introduce you to the theory and evidence of entrepreneurship and (2) to give you a little practice in actually thinking through entrepreneurial ideas through the development of a business plan.

Students attending the course are expected to (1) attend all lectures and classes; (2) prepare the readings and cases in advance and (3) participate in the business plan project with your team, by conscientiously preparing it and by presenting it in weeks 3, 6 and 9. If you cannot do these three simple things, please do not register for this course.

### **E. Class Schedule (note deliverables on Weeks 3, 7 and 10)**

#### **PART I. Entrepreneurs, Ideas and opportunities**

#### **Week 1. Introduction to Entrepreneurship**

Readings:      Some thoughts on business plans

**Week 2. Ideas, innovation and profits: from value creation to capture**

Cases: EMI and the CAT Scanner

Readings: Amar Bhide (2000), *The origin and evolution of new business*, Chapters 1, 2 and 4

Gompers, Lerner, Scharfstein (2005). "Entrepreneurial Spawning: Public Corporations and the Genesis of New Ventures, 1986 to 1999"

Aghion and Tirole (1994), On the management of innovation, *Quarterly Journal of Economics*, pp. 1185-1207

**Week 3. Rational Entrepreneurs?**

Readings: Landier and Thesmar, (2008), Financial contracting with optimistic entrepreneurs, *The Review of Financial Studies*, pp.1-34.

Camerer and Lovallo, (1999), Overconfidence and excess entry: an experimental approach, *American Economic Review*, pp. 306-318

Business Plan Project I *Team presentations of Part I of Business Plan: External Context/Industry Economics and Opportunity*

**Part II. People Issues: Teams, Peers, Partners**

**Week 4. Agglomeration and Peer Effects in Entrepreneurship**

Readings: Marshall (1920), *Principles of Economics*, Book 4 Chapter 10

Chinitz (1961), Contrasts in agglomeration: New York and Pittsburg, *American Economic Review*, pp. 279-289

Michelacci and Silva (2007), Why so many local entrepreneurs?, *The Review of Economics and Statistics*, pp. 615-633

Lerner and Malmendier (2007), With a little help from my (random) friends: success and failure in post-business school entrepreneurship, Unpublished working paper, Harvard University

**Week 5. Entrepreneurial Teams. Founders**

Case

Readings: Lazear (2002), Entrepreneurship, *Journal of Labor Economics*, pp 649-680

Noam Wasserman, Founder-CEO Succession and the Paradox of Entrepreneurial Success

Noam Wasserman, Founder-CEO Succession at Wily Technology

**Week 6. Entrepreneurial Growth: Franchising**

Readings: McDonalds Under the Arches, Chapter 1

Arrunada, Garicano and Vazquez (2001), Contractual Allocation of Decision Rights and Incentives: The Case of Automobile Distribution, *Journal of Law Economics and Organization*, pp. 257-284

Business  
Plan Project  
II

*Team presentations of Part II of Business Plan: Internal Context/People, Architecture, Organization*

**Part III. Money Issues: Deals and Finances**

**Week 7 Financing Entrepreneurial Ventures: Banks**

Readings: Stiglitz and Weiss (1981), Credit rationing in markets with imperfect information, *American Economic Review*, pp. 393-410

Hurst and Lisardi (2004), Liquidity Constraints, Wealth Accumulation and Entrepreneurship, *Journal of Political Economy*, pp. 319-347.

Petersen and Rajan (1994), The benefits of lending relationships – Evidence from small business data, *Journal of Finance*, pp. 3-37.

**Week 8 Financing Entrepreneurial Ventures: Venture Capital**

Readings: Kaplan and Stromberg (2002), Financial contracting theory meets the real world: an empirical analysis of venture capital contracts, *Review of Economic Studies*, pp. 281-315.

Leland and Pyle (1977), Information asymmetries, financial structure and financial intermediation, *The Journal of Finance*, pp. 371-387

**Week 9 Exit: IPOs**

Readings: Ritter and Welch (2002), A review of IPO activity, pricing and allocations, *Journal of Finance*, pp. 2903-2958

Business  
Plan Project  
III Team presentations of Part III of Business Plan: Financing

**Week 10. Corporate Venturing. Course wrap up.**

Readings: Manso (2008), Motivating Innovation, Unpublished working paper

Manson and Ederer: Is Pay-for-Performance Detrimental to Innovation? Unpublished working paper

Business  
Plan Project  
IV Elevator Pitches- 10 minute summary presentations of plan, incorporating class critiques, comments etc.