



## Entrepreneurship and Innovation in Financial Services: FinTech, Private Equity, and Venture Capital Perspectives

B8495-001 - Master Class  
Thursdays, 2:15-5:30 pm – Uris Hall 307  
Finance and Economics Division - Spring 2016

<u>Faculty</u>	<u>Office Hours</u>	<u>Office Location</u>
R.A. Farrokhnia	Thursdays, 5:30-7:00 pm or by appt	Uris 211
Stephen P. Zeldes	Wednesdays, 3:00-4:30 pm or by appt	Uris 825

**IMPORTANT NOTE:** *This class is part of the Columbia Business School Master Class Program <http://www8.gsb.columbia.edu/about-us/theory-to-practice/master-classes>. It is limited to 36 second-year MBA students, and attendance of all class sessions is mandatory. Admission to the course is by application only via <http://www8.gsb.columbia.edu/faculty-research/EIFS-Application>. The application deadline is Thursday 11/12/2015 at 4pm. Students who are admitted to and enroll in the class will be charged 1000 bid points.*

### **COURSE SUMMARY**

Over the past decade, technological innovation has greatly impacted the financial services industry, and further innovation and disruption are occurring every day. We are witnessing major global changes in the realms of payments, foreign exchange, consumer and corporate borrowing, insurance, consumer financial advice, and wealth management, just to name a few. To understand these changes, we need to understand both the technological changes and the underlying economics of the financial services industry, including the role of Private Equity (PE) and Venture Capital (VC) firms that are often funding and fostering such changes, and are affected by them in turn.

In this course, we will study this innovation and entrepreneurship in the financial services industry in general, with a special focus on Financial Technology (FinTech), Private Equity, and Venture Capital. We will examine whether and how the creative application of technology can responsibly address market shortcomings and meet consumer needs in the realm of financial services. We will do so through a combination of cases, lectures, class discussions, and guest speakers, designed to teach students economic principles and put students in the shoes of managers and decision-makers addressing a plethora of challenges facing the industry. We will examine innovation in both products and processes in the financial services industry, and explore FinTech as a venue for the application of entrepreneurial thought and venture launch.

Furthermore, the course (as a Master Class) has a unique component: admitted students will work in teams throughout the semester on projects with prominent New York City VC, PE, or FinTech firms. Students will choose between one of two types of projects. In the first, each team will be assigned to a VC or PE firm and will work on a project involving current research, deals, and/or transactions. In the second, each team will work on their own start-up / entrepreneurial venture in the area of FinTech / Financial Services, and will work with advisors from FinTech start-ups and VC firms, who will guide students on their venture and background research. Project deliverables are described below.

At the end of the semester, each team will present the findings of their project to the firm and to the course faculty. This practical and hands-on approach will enable students to gain relevant knowledge and work experience as well as to apply course material and takeaways in actual business settings. Please note that admitted students are required to sign a Confidentiality and/or Non-Disclosure Agreement (NDA) as well as a Code of Conduct agreement.

### **WHO SHOULD TAKE THIS COURSE?**

This course is designed to help MBA students learn and apply key economic and entrepreneurial principles, with an eye toward responsible innovation in financial services. As such, the class will be beneficial to students interested in pursuing careers in: i) startup ventures in FinTech and the financial services industry in general, ii) Financial Institutions Group (FIG) divisions of investment banks and consulting firms, iii) asset management funds, including private equity and venture capital funds, and iv) management-path roles in banking (commercial or otherwise) and PE/VC portfolio enterprises. As mentioned, those who are planning to embark (either sooner or later) on entrepreneurial ventures within the financial services industry will find the content to be particularly relevant and applicable to their future goals.

While the course content is primarily focused on financial services, the curriculum is also applicable and relevant to a broader audience – those interested in identifying, launching, and managing innovative ventures in other industries, including those in which a regulatory framework is an important part of the ecosystem. We will learn about the process of innovation: how to learn, focus, create, test, and execute a vision into reality. In addition, we will cover design thinking and design studio methodologies, as well as rapid prototyping and product launch, particularly relevant topics for new ventures in FinTech and financial services.

One of the main goals of our course is to fuel the entrepreneurial passion and innovative focus of students. So the course will be helpful for anyone wanting to become a responsible business leader capable of identifying market opportunities, scrutinizing deal dynamics, managing risk, addressing capital needs, and tackling eventual pre- and post-launch general management and investor matters, in a wide variety of entrepreneurial settings. It is the hope of the course faculty that the course lessons could be called to action either immediately

after graduation or perhaps many years after graduation when a suitable entrepreneurial opportunity presents itself.

### **COURSE PRE-REQUISITE**

Capital Markets and Investments must be taken prior to enrollment in this class (minimum grade of HP). Students are expected to be thoroughly knowledgeable and proficient in quantitative and financial analysis and modeling. Entrepreneurial Finance (B8345) and Introduction to Venturing (B8518) are highly recommended, but not required.

### **COURSE STRUCTURE, DELIVERABLES, AND GRADING**

This course will involve a course project, cases, lectures, guest speakers, and class discussions. We describe these in turn.

#### **1. COURSE PROJECT**

A major part of this Master Class is working on and delivering projects. These can take one of two forms, chosen by the student.

i) **Internship at PE or VC firm:** Students choosing this form, will work in teams at prominent private equity and venture capital firms in a variety of capacities (i.e. supervised and structured internships). Faculty will choose student teams and assign them to a Sponsor Firm. Students will work alongside each firm's liaison on assigned tasks and projects. As such, students will have a unique opportunity to gain firsthand experience working with distinguished investment firms, apply class lessons and takeaways, and have an inside view on how deals are sourced and/or executed.

ii) **Entrepreneurial Venture:** Students choosing this form will work on their own start-up / entrepreneurial venture in the area of FinTech / Financial Services. This venture can either be something that has already begun development or else a well-thought out idea that students wish to pursue in depth in order to examine viability. The project for these teams will consist of a write-up of progress made on the venture during the semester, the underlying economics of the venture, and an in-depth industry analysis. We will pair these teams with advisors from FinTech start-ups and VC firms, who will guide students on their venture and background research.

Project grading and deliverables:

- a. **Mid-semester progress report:** By mid-semester, student teams are required to submit a 1-2 page report describing progress on their project and team dynamics.
- b. **Group presentation:** Student groups will present their findings and conclusions in a 15-minute presentation (based on a prepared PowerPoint deck) to faculty.

Electronic and printed versions (2 copies) of the PowerPoint deck should be delivered to faculty prior to the presentation.

- c. Individual write-up of lessons learned: Each student will turn in an individual short (2-3 page) write-up of the lessons that they learned from their project. This should be turned in by the beginning of the last class session.
- d. Sponsors' Evaluations: Course faculty will continually consult our Project Sponsors throughout the semester to ensure the highest level of performance by the students as well as monitor progress by each team. At the end of the semester, sponsors will evaluate and rate team's performance, both individually and as a group.
- e. Peer Assessments: At mid-semester and at the end of the course, student teams will be required to anonymously rate their team members on a number of criteria that will be used to evaluate each member's performance. Throughout the semester, the course faculty will meet regularly with each team to ensure proper progress and completion of the final project as well as to solicit feedback on a variety of topics, including the contribution of fellow team members.

## 2. LECTURES, CASES, GUEST SPEAKERS, AND CLASS DISCUSSIONS

This course has a demanding curriculum and requires active participation and diligent, on-time completion of mandatory readings and assignments prior to each session.

Relevant materials (articles, cases, class notes, news articles) will be posted in Canvas and/or handed out in class.

### Guest speakers

In addition to lectures, case discussions, and industry analyses, the course will include a set of guest speakers. We will be bringing in entrepreneurs and industry experts who have launched, managed, grown, and in some cases exited ventures in financial services, either as stand-alone entities or as "intrapreneurial" spin-offs/startups within large companies and organizations. We will also hear speakers from VC and PE funds as well as creative and related firms.

The weights for determining final course grades are as follows:

### Course Project: 60% of final grade

- a) Mid-semester progress report (Type A assignment)
- b) Group presentation (Type A assignment, 20%)
- c) Individual write-up of lessons learned (Type B assignment, 10%)

- d) Sponsors' Evaluations (20%)
- e) Peer Assessments (10%)

Class Participation / Cases: 40% of the final grade

## **ADMISSION TO THE COURSE**

Admission to the course is by online application only. Students must submit a resume along with their grade in Capital Markets (see below) and a one paragraph description of their background and interest in the class. Applicants may be asked to participate in a short interview with course faculty prior to the admission decision.

The online application for the class is at: <http://www8.gsb.columbia.edu/faculty-research/EIFS-Application> . Applications are due by November 10<sup>th</sup>, 2016 at 10 am. We will announce admission decisions by the end of the day on Thursday November 19<sup>th</sup>, 2015.

Late applications will be considered only if there is still remaining room in the class, on a case-by-case basis.

Students who are accepted to and enroll in the class will be charged 1000 bid points. Note that these will be charged to the student's balance on enrollment into the class, not upon submission of an application.

## **EXPECTATIONS AND CONDUCT**

### Time Requirements

Students are expected to devote significant time to this class – a total of approximately 15-20 hours a week that includes their weekly internship and preparatory work for lectures, cases, and/or guest-speakers' presentations.

*A majority of project-team and -sponsors meetings will take place on Fridays off-campus for most of the day. While not all Fridays throughout the semester may so be used, students in this course should not have any other standing Friday obligations and must not be involved with any other internships or similar engagements for the duration of the semester.*

**We will use Friday February 5, 2016 as a day to cover course material necessary for pursuing the projects.** Please be sure that you are available on that day for classes with the instructors.

### Culture

This course adheres to Columbia Core Culture. You are expected to be i) Present, ii) Prepared, and iii) Participating. Some specifics are below.

In order to have meaningful discussions in class, it is imperative that you come prepared by having carefully read cases, readings, and background material on our guest-speakers. The course instructors will randomly pre-select a student to “open” a case and will ask directed questions at any point during the case analysis. Class attendance and participation is an integral part of this course’s learning process, and as such, unexcused absences and disruptive behavior not only will have a detrimental effect on your final grade, but also will be considered disrespectful to your classmates.

No laptops or other electronic devices should be open or used during class unless specifically requested by the faculty.

In regard to guest speakers, the course’s faculty has gone to great lengths to secure the most relevant, accomplished, and student-friendly individuals whose presentations will greatly benefit the students and complement the lectures and case discussions. In order to show the due respect and proper appreciation for the time and effort undertaken by such individuals to participate in and contribute to the course, highest standards of conduct are expected from students during such guest visits.

### **TEACHING ASSISTANT**

There may be a TA for the course whose contact information and office hours will be posted in Canvas. The TA will be made available to help with the material covered in class and provide guidance on team projects. You could also contact the TA with administrative questions related to teams, deadlines, course calendar, etc.

### **OFFICE HOURS**

We encourage you to take advantage of our office hours as we would like to be as helpful to you as possible, be it for academic or career assistance.

We look forward to having a fun and productive class with you all.