Entrepreneurship is all about startups, or so we are told. It’s all about having a good idea one day, starting a business in your garage with a buddy using your credit card for financing, building it into a multi-million or multi-billion dollar company and getting your face on the cover of Fortune. Right?

But what if you don’t have an outstanding idea for a new product or service? Can you still be an entrepreneur? Yes, you can! You can buy someone else’s company and run it. You can acquire an existing business and as the new CEO, grow sales, increase profitability, maybe make a couple of add-on acquisitions, and build it into a larger and more successful company.

Buying a business is entrepreneurship too! We call it, Entrepreneurship Through Acquisition (ETA).

During this course, I will demonstrate to you that buying a business is an exciting path to becoming an entrepreneur, and it can be far less risky than starting one. You can even decide to pursue this avenue immediately after graduating with your MBA. However, some of you may decide to follow this path in three or five years, or even later. Some may do so by organizing a search process, while others may end up buying the company they manage as an employee (MBO). Whatever approach you may take, this course will help you understand what it is all about.

If you want to buy a company for yourself someday, this course was designed for you. But the course can also be helpful if you plan to be involved in acquisitions in private equity, investment banking or consulting. In addition, we will learn about managing small- and medium-sized businesses and dealing with business situations, numbers and problems that are part and parcel of these more human-sized businesses. And as you know, small businesses are a huge and important part of our economy.
During this course, we will examine the world of ETA through a series of case studies and classroom discussions that bring to life the techniques that work in real life. We will use the stories of real entrepreneurs who bought real companies to highlight the problems and opportunities they faced and the decisions they made. We’ll see what they got right and what they got wrong. And by understanding what these entrepreneurs went through, you will realize that it is entirely possible for you to buy and run a company too.

The cases are all based on recent MBA alumni who have gone out and done it. Most of the time, they will join us in class (in person or via videoconference) to bring the case to life, to provide added insights, and to give you the chance to question them directly.

We will examine the ETA process in a detailed manner, covering the following topics:

- Building and conducting a company search process
- Assessing and valuing targets, and selecting a company to buy
- Dealing with sellers, and financing and structuring the deal.
- Conducting due diligence, preparing and negotiating deal documentation, and managing transactions
- Handling the post-acquisition issues of transitioning to CEO and managing the business
- Creating value for you and your investors and eventually exiting the business

By the end of the course, participants should be fully aware of Entrepreneurship Through Acquisition as a career option, should have a firm grasp of what is involved in this area of entrepreneurship, and most importantly, should have been able to assess his or her own comfort with pursuing it.

**Class Assignments**

To reinforce the learnings in the course, you will have assignments due for each session. These exercises and/or surveys will allow you to practice the topics that we are studying, such as company assessments, valuations, etc.

**Project**

This course includes an individual course project. The objective of the project is to give you experience reaching out to company brokers, presenting yourself and obtaining company information. You will find out that the search process is harder than it sounds. Then, once you have found a company, you will have the opportunity to develop and explain your investment thesis to a real investor, me.

Each student will establish search criteria and develop a pitch in order to reach out to company brokers and find a company that could potentially be an interesting acquisition target. You will interact with brokers and receive Confidential Information Memoranda (CIMs) that will give you the basic information on the company and its industry. You will then select one of the companies you have found and through discussions with the
broker, deepen your understanding of the business. On the selected company, you will prepare an Investment Proposal (IP) that you will send to me asking me to be your financial backer in acquiring the business. While I do not expect you to find the “perfect opportunity”, you will be able to find a business that is interesting for the purposes of this project. Separately, I will provide you with a list of the topics you will be expected to cover in the IP that should be no more than 10 pages. Your task will be to sell me on your deal so that I would eventually be willing to at least consider investing in it. Projects will be due by Friday, March 5th at 6:00pm.

**Evaluation**

Class attendance and participation will count for 40% of your grade. You are expected to attend all sessions having read the case and other class materials. Your score for this portion of your overall class grade will be based on the quality of your contributions to the classroom discussions on the cases and topics we will cover.

For each class session there will be assignments to be completed. These will count for 30% of your grade.

The remaining 30% will come from the evaluation you receive on the investment proposal you write for the course project.

**Other information**

I will be commuting to NYC from Boston where I run Search Fund Accelerator. On the one hand this means my day job is highly relevant to the course, but it also means that I will only be on campus on class days.

When you have a question or wish to talk, all you have to do is contact me by email and we can arrange to speak in person on a class day or via phone or Skype on other days. Do not let the distance be a barrier to reaching out to me whenever you need to. I am more than happy to chat and help.

**Course Sessions**

**Thursday, January 28, 2016**  **Hours: 2:15 – 5:30pm**

**Session 1: Introduction to ETA & Search**

In this introductory session we will first introduce the notion of ETA then examine the decision of why, when and how to start a company search, the differences between funded and unfunded searches, and a number of other issues a prospective must consider before embarking upon this route.

**Cases:**

1) CPI (INSEAD case)
2) Search: Funded vs. Unfunded (new case)
Readings:

1) Models of Entrepreneurial Acquisition (Stanford case E-365)
2) Search funds – 2013: Selected Observations (Stanford)
3) H. Irving Grousbeck speech, President’s Distinguished Speaker Series, University of New Hampshire, 2012

Survey: Complete ETA survey

Thursday, February 4, 2016  Hours: 2:15 – 5:30pm
Session 2: Search Techniques & Search Panel
Having understood the principles of company search, we will focus on the techniques used to search successfully. Using the case of one searcher to guide the discussion, we will examine the current thinking on best practices. We will then have a panel session with searchers so you can hear their stories firsthand and ask questions.

Cases:

1) Danville Capital (new case)

Readings:

1) Search Funds: Best Practices for the Search Phase (Stanford note)
2) Search for a Business – Best Practices (Bay Investment Partners)

Optional Readings:

1) Most all published search fund and ETA studies, articles and videos are available at www.searchfundaccelerator.com/resources
2) For an outstanding compilation of advice from search fund guru and HBS Entrepreneur-in-Residence Jim Sharpe, visit www.jimsteinsharpe.com

Assignment: If you were to do a search in the next three years, would you do a funded or unfunded search and why? This is due prior to the start of class. (2 pages maximum & less than 800 words)

Thursday, February 11, 2016  Hours: 2:15 – 5:30pm
Session 3: Assessing & Valuing Small Businesses
While searching you will come across hundreds of companies. How do you separate the really interesting companies from the less interesting ones or the bad ones? How do you do that when you are looking at hundreds of opportunities? And once you have selected a business, how do you value it? Is DCF the right method? This session will
use a pre-class assessment and valuation exercise and in-class exercise, in addition to classroom discussion, to bring these topics to life.

**Cases:**

1) Hollivine Partners Part 1 (INSEAD case)  
2) Hollivine Partners Part 2 (video)  
3) Hollivine Partners Part 3 (video case & CIMs)

**Readings:**

1) Valuation Techniques (HBS note)  
2) Valuation of Late Stage Companies and Buyouts (Darden note)  
3) Note on Valuing Private Businesses (HBS note)

**Assignment:** Read the Hollivine Part 1 case and watch the Part 2 video to understand Kamm Kartchner's progression to date. Then watch the Hollivine Part 3 video in which Kamm asks for your help, in true Mission Impossible style, to evaluate and select one of the five businesses he is considering. Read the five CIMs. Select the company you think is best for Kamm to pursue. In one page, tell Kamm why you recommend that business and on a second page, value the company and present your reasoning. **Due by midnight the evening before class!**

**Thursday, February 18, 2016   Hours: 2:15 – 5:30pm**  
**Session 4: Deal Documentation (Part 1), Due Diligence & Sellers**
As a searcher you will quickly encounter NDAs, IOIs and LOIs. What do these terms mean and how do you understand and write these documents. Then, once you have a company under LOI, you will conduct due diligence. What is and what isn't DD? We will examine and contrast two distinctly different situations to understand due diligence and understand the sale process from the seller's perspective.

**Cases:**

1) American Haircare Part 1 (INSEAD case)  
2) Cartec (INSEAD case)

**Readings:**

1) Sample Documentation (NDAs, IOIs, LOIs)  
2) Due Diligence Check Lists

**Assignment:** Go back to the company you selected in the Hollivine Partners exercise in Session 3 and write an IOI to the owner of that company. This should be no more than 600 words. **Bring a printed copy of your IOI to class!**
Thursday, February 25, 2016  Hours: 2:15 – 5:30pm
Session 5: Deal Financing & Structuring, Deal Documentation (Part 2)
It’s one thing finding the right company to buy. It’s another finding the money to buy it and to structure the deal intelligently. If you are a funded searcher, the norms are in place. But for an unfunded searcher, everything is up for negotiation. How do you buy a business when you have little or no money? Then, how do you move toward closing? What goes into the Sale & Purchase Agreement and how do you handle Reps & Warranties? What do you need to know about the various deal advisors you will need? And finally, what will you need to negotiate with your other shareholders? As you can tell, the weeks leading up to closing are stressful and busy.

Cases:

1) American Haircare Part 2 (INSEAD case)

Readings:

1) Basic Leveraged Buyout (Khan Academy online)
2) LBOs for Smaller Companies (HBR online)
3) Leveraged Buyouts and Private Equity (Steven Kaplan online)

Assignment: As a project update, submit a one-page write up of the company you have found and decided to work on. Tell me why it is an interesting opportunity.

Thursday, March 3, 2016  Hours: 2:15 – 5:30pm
Session 6: Transitioning to CEO & Managing the Business
Once you buy a business, you will become its new CEO. For many searchers, this transition is a long awaited moment. But it is also fraught with anxiety. We will examine those anxieties and how best to prepare for them as you assume your role as CEO, and highlight some best practices that can guide you. Then you have to manage the business. This is when all the skills you have developed professionally and during your MBA studies will come into play.

Cases:

1) Sean O'Neill (INSEAD case)
2) La Corpo (INSEAD case)

Readings:

To be determined.

Assignment: Respond to the La Corpo survey online. This is due by midnight the
night before class!