

# SHARAT RAGHAVAN

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## EDUCATION

### **Haas School of Business, University of California, Berkeley**

PhD in Business Administration, Business & Public Policy (May 2012 Expected)  
Advisor: David Mowery

### **Haas School of Business, University of California, Berkeley**

M.S. in Business Administration (2009)

### **Dartmouth College, Hanover, New Hampshire**

A.B. (Honors) in Economics and Minor in Applied Mathematics (1998)  
Thesis: *Determinants of Cross-Country Import Intensity Ratios*  
Thesis Advisor: Douglas Irwin

## RESEARCH INTERESTS

Entrepreneurial Firm Performance & Survival

Venture Capital & Entrepreneur Contract Design

Organizational Forms of Early Stage Ventures

## RESEARCH IN PROGRESS / WORKING PAPERS

*The Terms that Bind: Determinants and Consequences of Founder Friendly Rights in Venture Capital Investments* (Job Market Paper)

How does contract design affect entrepreneurs and investors? Participating preferred rights are features of venture capital contracts that give investors returns greater than their intrinsic ownership in an acquisition. Despite the extensive use of these rights and their possible deleterious effects on founder incentives, limited empirical work exists on these rights. Through the use of a novel data set of venture capital investment contracts from 2004-2009, I ask three fundamental questions about these rights: when are they used, who uses them, and what are their consequences? The findings indicate that (i) lower inflows of venture capital funding increase the use of participating preferred rights; (ii) less experienced investors and certain industry sectors utilize participating preferred rights more frequently; and (iii) firms with participating

preferred rights are less likely to raise a subsequent financing at a higher valuation and less likely to exit through an IPO or acquisition, suggesting that the incentive implications of these rights may affect firm performance. These results are robust to specifications that attempt to control for the endogeneity of the contract right and provide important insights for entrepreneurs and investors who are weighing the consequences of certain contractual forms.

*Bargaining and Control in Competitive Markets: Evidence from VC Investment Contracts*  
(working paper)

How do investors and entrepreneurs allocate ownership and contractual rights in competitive markets? Using a novel data set of venture capital financings from 2004-2009, I find that changes in market competition, or venture capital supply, affect contractual terms and bargaining in significant ways. Competition not only affects firm valuation, but how actual firm ownership is divided between entrepreneurs and investors. Additionally, certain contractual rights shift in response to venture capital scarcity. Specifically, the results suggest that (i) entrepreneurs own more of the firm in periods of high venture capital inflows, (ii) entrepreneurs give up cash flow rights in periods of low venture capital inflows, and (iii) venture capitalists utilize control provisions as a mechanism to better monitor investments when venture capital supply increases and markets become competitive.

*Are Venture Capital Investments Inefficiently Organized? Quantifying the Cost of Organizing Loss Generating Startup Firms as C-Corporations* (with Eric Allen, preparing for submission)

We examine the previously documented anomaly of loss-generating startup firms organizing as C-Corporations as opposed to the theoretically more tax efficient alternative - the Limited Liability Company. While prior research examines the potential reasons for this divergence between theory and practice, this is the first paper that actually attempts to quantify the foregone tax benefits incurred by the current system. We examine a sample of venture backed firms that reached the Initial Public Offering stage between 1996 and 2008. We find that the vast majority of these firms have accumulated tax losses at issuance, on average \$33 million, and that the associated potential tax benefit is significant. We also examine a subsample of firms that were at one time organized as pass through entities prior to going public and find that while the majority switched to the C-Corporate form upon the entrance of a venture capital investor, a small number were allowed to retain their pass through status until issuance. Their existence provides further evidence that the alternative form's lack of adoption must be attributable to some aspect other than technical limitations that would prevent venture capital investment.

*Innovation in Philanthropic Ventures: Borrowing from the VC Model* (research in progress)

Can certain philanthropic ventures benefit from practices in the VC industry such as incentive-based compensation, increased use of technology, and an emphasis on cultivating entrepreneurs? This paper explores a new initiative at a major philanthropic organization that uses VC-style funding contracts, funding syndication, deal selection, and staged growth to allocate funding to projects. The paper describes the progress of the program from idea conception to implementation and presents some initial findings comparing the success of their

new initiatives to the old regime. Future empirical studies are also proposed to more deeply understand the program's implications on entrepreneurship within the non-profit sector.

*Ineffective Continuation and Opportunism: Insider Venture Capital Transactions* (research in progress)

Venture capital firms syndicate investments among other firms for capital constraints, value additive and portfolio risk reasons. This paper examines the performance of investment rounds that are completed only by existing investors. I find that these insider rounds perform worse on two return measurements. Additionally, first time funds seem overrepresented in these transactions. The presence of first time funds might indicate that their proclivity to continue investing in such companies is a mechanism to avoid write downs as they are building a reputation for future funds. These actions are consistent with information asymmetry and agency costs between venture capital firms and limited partners. Further suggestions are also provided to address the current limitations of the model and data set.

*Is there a Bubble in Technology Investing? Thoughts on Valuations and Terms after the Financial Crisis* (research in progress)

The 2008 financial crisis depressed equity valuations worldwide, particularly for shares in small capitalization firms. But how did the crisis affect the market for venture capital transactions? I find that both valuations and contractual terms were affected, but less than comparable publicly traded firms. I explore how the crisis affected patterns of investment by angel investors and corporate venture funds. Additionally, investors shifted capital after the crisis into earlier stage ventures which were less capital intensive.

*Measuring Returns to Specialization: Evidence from Healthcare* (research in progress)

I am studying several questions related to how specialization and IT affect the cost of radiology services provided by hospitals and physician groups. The data being used is a proprietary database of specialist and generalist radiology reports merged with clinical outcome data.

## **TEACHING**

**Graduate Student Instructor for MBA Microeconomics, Professor Wolfram (2010)**

Taught two sections, graded exams and final papers

**Graduate Student Instructor for MBA Microeconomics, Professor Wolfram (2009)**

Taught two sections, graded exams

**Graduate Student Instructor for MBA Ethics, Professor Dal Bó (2008)**

Graded exams, ran class experiments

## **AWARDS**

Outstanding Graduate Student Instructor Award, UC Berkeley (2010-2011). Awarded to less than ten percent of graduate student instructors across Berkeley in the academic year

Bradley Fellowship (2009, 2010, 2011)

Brasch Graduate Student Instructor Fellowship (2009, 2010)

Institute for Business Innovation Grant (2008, 2009)

## **PRESENTATIONS**

Duke Conference on Innovation and Entrepreneurship, Durham, NC (invited paper / attendee, Feb 2012)

University of North Carolina Tax Symposium, Chapel Hill, NC (invited paper / attendee, Jan 2012)

West Coast Research Symposium on Technology Entrepreneurship & Doctoral Workshop, Seattle, WA (invited attendee, Fall 2011)

Oliver E. Williamson Seminar for Institutional Analysis, UC Berkeley (Fall 2011)

Consortium for Cooperation and Competition, Massachusetts Institute of Technology (2011)

American Taxation Association Midyear Conference, Washington, D.C. (2011)

Economics Seminar in Innovation, UC Berkeley (2010, 2011)

National Bureau of Economic Research Entrepreneurship Bootcamp (invited attendee, 2009)

## **PROFESSIONAL EXPERIENCE**

### **Ericsson Venture Partners, New York, NY & London, UK**

Co-Founded independent private equity fund supported by Ericsson and Sony-Ericsson. Completed investments in early stage wireless technology companies and served on board of directors meetings.

### **Donaldson, Lufkin & Jenrette, New York, NY & Bangalore, India**

Worked in the investment banking and private equity departments of investment bank. Completed transactions in seven countries, including largest Euro high yield bond issue at the time.

## **PERSONAL**

US Citizen. Born and raised in California

Authorized to live and work in India

## **COMMITTEE**

David Mowery (Dissertation Chair)

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