Matthew Espy
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April 1, 2012

NBER Entrepreneurship Research Boot Camp

To whom it may concern:

I am writing to apply for a position in the NBER Entrepreneurship Research Boot Camp. I am currently a second year doctoral student at Georgia Tech's school of management working towards a doctorate in strategic management with a minor in economics, and my prior academic background includes bachelors and masters degrees from Harvard University in applied math with a focus in economics.

Please find below my CV and essay; a letter of recommendation from my advisor Dr. Marie Thursby will be emailed separately. Thank you for your consideration.

Sincerely,

Matthew Espy

College of Management
Marie C. Thursby
Hal and John Smith Chair of Entrepreneurship
800 West Peachtree Street, NW
Atlanta Georgia, 30332-0520 U.S.A.
Phone: 404.894.6249
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marie.thursby@mgt.gatech.edu

April 2, 2012

Thomas Hellmann
Organizer, 5th Entrepreneurship Research Boot Camp
National Bureau of Economic Research
1050 Massachusetts Avenue
Cambridge, MA 02138

Re: Recommendation for Matthew Espy

Dear Thomas:

This letter is in support of Matthew Espy's application to participate in the NBER 5th Entrepreneurship Research Boot Camp. When the call for applications came out this year, Matt expressed a strong interest in participating, and I am happy to enthusiastically support his application.

During Matt's two years in the PhD program in Strategy at Georgia Tech, I have known him as a student in my microeconomics class, as a teaching assistant, and as an advisee. He is by far the most talented strategy student I have encountered in the last ten years at Georgia Tech. His technical skills are quite good, having been an applied math major as a Harvard undergraduate. Also during his undergraduate career he pursued a number of PhD strategy and finance classes at HBS.

Broadly speaking, his research interests focus on the competitive environment in which technological innovation occurs and how that affects the extent to which innovation comes from incumbents or entrepreneurs. He has begun developing a number of models which revisit the effectiveness of investment in new technology in entry deterrence, with attention to possible reductions in welfare from such investments that are shelved in equilibrium. Other ideas that he wants to explore focus on the principal agent problem that occurs when the optimal decision for a company in the face of disruptive innovation is to shut down but the manager has an incentive to bet on innovation.

He is quite curious and actively pursues research on topics of interest. For example he is an avid sports fan and presented a brown bag workshop on a project he is pursuing which takes a regression discontinuity approach to examine the impact of being named an NBA all-star on player marketability and earning, comparing marginal all-stars to their peers who had similar performance but didn't make the cut.

He is early in his research career and would tremendously benefit from participation in the Boot Camp. I am confident that he would undertake the intensive work required and because of his technical talents and inquisitiveness would be able to capitalize on the insights and environment of the workshop and the Summer Institute.

If you have further questions, please feel free to contact me. He has my strong recommendation and support.

Sincerely,



Marie C. Thursby
Hal and John Smith Chair of Entrepreneurship

MATTHEW HOWARD ESPY

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WORK EXPERIENCE

KIT DIGITAL
New York, NY

Business Development focused on driving sales into new markets *Jan 2009– Dec 2009*

- KIT Digital's North American business has been concentrated in newspapers and radio stations without much market share amongst television and movie studios, the largest creaters of video content. By modifying an existing digital distribution product used by the associated press and developing new pricing structures, new marketing strategies, and new implementations, I have developed relationships with several of the top entertainment companies in the world, including NBC Universal, Warner Brothers, Venevision, Alfred Haber, and Endemol, leading to likely adoption of KIT digital's digital distribution platform as an industry standard.
- Despite being one of the only publicly traded, cash flow positive companies in the industry, KIT digital had very little buzz in the industry. I developed relationships with leading industry bloggers and worked with our marketing team to develop a social media strategy, leading to increased mentions of the company in the press and more traffic to the website, and therefore more solicitations for business via our website.
- Traditional media companies are the lowest margin business for online video due to increased competition for their business, so I worked to develop new, non-traditional markets for our services. I developed strategies to approach educational institutions, sport leagues, and retailers to diversify our customer base. One innovative solution in development is a project with Stack Media to take premium content of professional athletes working out and playing that directly in weight rooms via set top boxes connected to the internet.

BRIDGEWATER ASSOSCIATES
Westport, CT

Research Associate focused on equity sectors, particularly flows in and out of stock markets
June 2004 – Dec. 2007

- At Bridgewater I focused on examining global equities from a supply – demand perspective, how the supply of stocks impact price and how the demand for stocks impact price. When companies issue shares (via IPO, secondaries, or equity M&A of private companies) the supply of equities for investors to invest in increases, and similarly the supply of the equity market decreases via cash M&A, dividends, and stock repurchases. By examining the impact of these shifts in supply on the price of these stocks and the factors that influence these shifts in supply, I was able to devise several successful trading strategies which were proven to have worked historically, both in the US and globally. Similarly, I studied the demand for equities in terms of investor flows into different types of investment vehicles and by studying investor behavior I was able to develop several profitable trading strategies.
- Bridgewater has created a unique beta portfolio which weights assets in such a way as to perform well without bias to economic environment (in terms of whether growth and inflation come in around expectations). While this was relatively easy for the marketing team to explain, they were lacking the tools to demonstrate the effectiveness of the portfolio. I built a robust intraweb site allowing marketers to better illustrate to clients how this portfolio works by allowing marketers to show how different asset classes performed in different economic environments over different time frames. By being able to dynamically demonstrate the principals which they had been explaining, the sales process for this portfolio was made easier.
- The marketing analysts helped explain environmental bias of portfolios by performing analysis of clients' portfolios and writing analysis of the strengths and weaknesses of those portfolios. I noticed that hours were being spent creating the tables and charts used in the prepared analysis and built a system to

automatically create those tables and charts and enter them into the appropriate places in the reports and presentations, saving hours of time off the preparation of each report.

SAGAMORE HILL CAPITAL MANAGEMENT
Greenwich, CT
Capital Structure Arbitrage Desk
June 2003 – June 2004

- Having interned at Lehman Brothers in the summer of 2002, I performed research that showed that events such as the Worldcom and Global Crossing frauds / bankruptcies led to significant mispricings amongst pari passu bonds within those organizations. Sagamore Hill had been profiting off those mispricings but by the time I joined so called "curve trades" were becoming harder to find. During my year there I researched and executed several different trading strategies within the capital structure arbitrage framework, including: Cross Currency Arbitrage, Senior Subordinate trades, Structural trades, Curve trades, Debt vs. Equity trades, Credit Spread vs. Equity Volatility, and Credit Volatility trades. I was responsible for monitoring and trading over $100mm of securities, ensuring the portfolio was balanced after market movements and trades were executed at the optimal time.

LEHMAN BROTHERS
London, UK
Fixed Income Intern *June 2002 – September 2002*

- Lehman Brothers interest rates derivatives desk found a unique opportunity in the market to tender for around 50 series of bonds issued by supernationals such as the IADB which had unique interest rate structures and were primarily held by retail investors. I categorized the bonds into about 10 groups based on the unique aspects of their interest rates such as caps, floors, step ups… and wrote a manual for investors describing how those features worked and how Lehman Brothers would be valuing them. My time with the fixed income analytics group was spent building a calculator allowing traders to input the coupon and maturity of pari passu bonds and impute out a implied probability of default and recovery rate. It was work on this calculator that led me to the discovery that bonds were often mispriced relative to other bonds within the same company.

FLETCHER ASSET MANAGEMENT
New York, NY
Fixed Income Intern *June 2001 – September 2001*

- Fletcher Asset Management is a hedge fund that often invests in private convertible bonds with unique provisions such as lookback pricing. While at Fletcher I built an excel macro which allowed for the valuation of convertible bonds with these unique provisions via monte carlo simulations. I also developed a screening process allowing Fletcher to focus on approaching companies which would be most interested in our financial investments.

EDUCATION

HARVARD UNIVERSITY
Cambridge, MA
Master's of Science and Bachelor's of Arts in Applied Math with focus in Economics
1999 – 2003

- Advanced Standing (Completed Bachelor's and Master's in four years), completed 39 classes in 8 semesters (the norm is 32)
- Courses: Corporate Finance, Asset Pricing, Stochastic Modeling, Capital Markets, Differential Equations, Game Theory

- Harvard University Scholarship, Stephen C. & Anneke Neal Scholar
- Ron Brown and Jackie Robinson Scholarships
- Investment Association President, Financial Analyst Club Secretary
- PhD courses in the Harvard econ department included Advanced Price Theory, & Risk Sharing in Microeconomics
- PhD courses at HBS in Strategy, Game Theory, & Asset Pricing I & II
- Served as Research Assistant for Professor Josh Lerner

GEORGIA TECH
Atlanta, GA
Doctoral student in Strategic Management with a focus in Economics
2010 – current

- Courses: Microeconomics, Strategy, Probability and Statistics, Econometrics, Game Theory, Industrial Organizations, Organizational Theory, Research Methods, Economics and Sociology of Science
- Gamma Beta Phi Society (top 15% of graduate students across the University)
- Research focusing on interaction between incumbent firms and new entrants during periods of technological innovation

It is with great enthusiasm that I apply for the NBER's entrepreneurship research boot camp. Through two years of my doctoral program two things have become very clear: 1. there is a lot I don't know and 2. the best way to learn is through reading and discussions with knowledgeable professors. Haven taken strategy seminars with Professors Frank Rothaermel at Georgia Tech and Peter Thompson at Emory, I have also gained an appreciation of the value of learning from professors with different perspectives. As I move forward into the research phase of my doctoral program, I believe the NBER's entrepreneurship boot camp will be an invaluable experience for me. By gaining a better understanding of the existing literature, learning from top professors, and discussing potential research ideas with knowledgeable professors and peers, attendance at the NBER boot camp will help shape and improve my research in the years to come.

As Donald Rumsfeld famously said "there are … unknown unknowns," and as a scholar and future professor I look forward to researching and better understanding what those are. However, at this point I face many "known unknowns," meaning there is a lot of existing literature I am not familiar with and before I can attack the "unknown unknowns" it is important that I understand what is unknown to me but has been researched and written about in the literature. It is for this reason that I have requested extra opportunities to present my research ideas at Georgia Tech seminars and garnered additional feedback and references to literature to build my base of knowledge. Through various conferences I have been able to meet such professors as Anita Elberse at HBS and Robert Seamans at NYU and have had them point me in the direction of relevant literature which would have been difficult to find on my own. The fact that the boot camp selects a focused set of relevant literature will be beneficial in helping me better focus and understand the relevant literature for my research. In this regard, even if I am not selected for the boot camp, I would greatly appreciate access to the syllabus so that I might do the reading on my own.

While reading literature will be instrumental in helping me to improve as a scholar, discussions with other scholars, particularly those of the caliber of the professors scheduled to teach the boot camp, will both further my understanding of the field of entrepreneurship and allow me to refine the ideas I will be researching in the future. Working with Marie Thursby and Henry Sauermann, Scott Stern's name and research are frequently discussed around the office, and it would be both an honor to meet him and educational to hear the perspective and motivation that drove his research agenda. Additionally, while I was able to work as a research assistant under Josh Lerner 10 years ago while I was an undergraduate at Harvard, my focus then was on working in finance and I didn't take full advantage of the opportunity to learn from him. Having a better understanding now of Professor Lerner's research, I look forward to interacting with him again on a more scholarly level. Particularly during the summer when professors travel and there are no seminar courses offered on campus, the opportunity for in depth discussion of entrepreneurship literature, particularly with professors of the caliber of the line-up for the boot camp, would be a welcome addition to my summer research.

The opportunity to have discussions and interactions which will help refine my research is perhaps the outcome of greatest importance I seek in participating in this program. As I shift from primarily coursework to primarily research after comprehensive exams this summer, having well thought out ideas will help my research productivity. The stream of research I am currently interested in is the competitive dynamics between incumbents and entrepreneurs in industries during periods of technological innovation. My first year paper focused on understanding the conditions under which incumbents would invest in innovation to prevent entrepreneurs from

entering the market, while delaying the introduction of the innovation to the market to protect their existing monopoly. For example, Kodak's early investments in digital photography could be seen as a success if their intent was to delay the widespread adoption of digital cameras and thus extend their lucrative film franchise for a few years. Following on that idea, I am interested in how incumbents' ownerships of complementary assets affects the investment decisions of entrepreneurs, particularly as most of the literature I have read on complementary assets focuses on the owner of the complementary assets and not on how that affects their competitors. I believe it would be interesting to examine whether entrepreneurs are responsible for more innovation in industries in which incumbents don't possess complimentary assets, and if in industries where incumbents do own complimentary assets do entrepreneurs produce more radical innovations. I'm also interested in understanding which strategies for entrepreneurs work best in which environments; for example if during periods of rapid innovation followed by rapid shakeout does a strategy of underinvestment and preserving capital allow entrepreneurs to thrive by buying more innovative firms for below cost.

As I move into the research phase of my doctoral program gaining a firm grasp of the literature and focusing my area of research are of paramount importance. By directing me towards relevant literature and allowing me to both discuss existing research and potential research with some of the top professors in the field of entrepreneurship, participation in the NBER boot camp will be an invaluable experience. Meeting with other young scholars in the field of entrepreneurship will allow me to both share my perspective with my peers and inform the research they are working on, as well as expanding the network of scholars I have to discuss ideas with. I appreciate your consideration of my application for this boot camp and look forward to hearing from you soon.

Thanks,
Matthew Espy