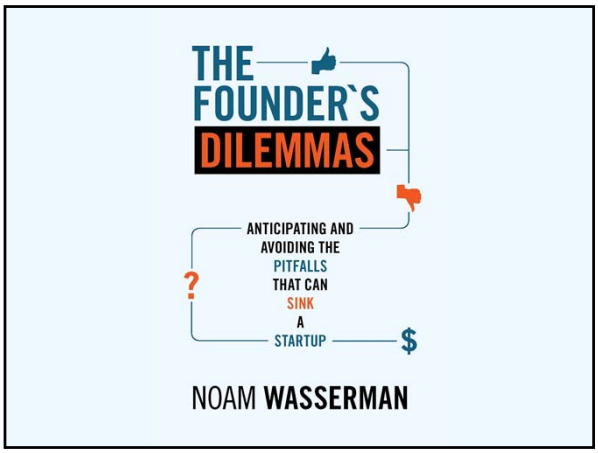
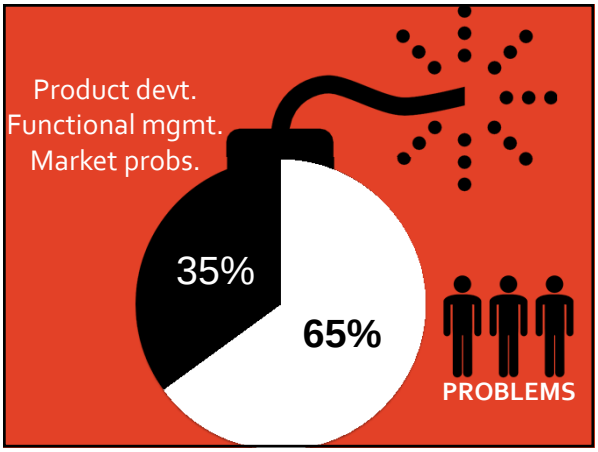
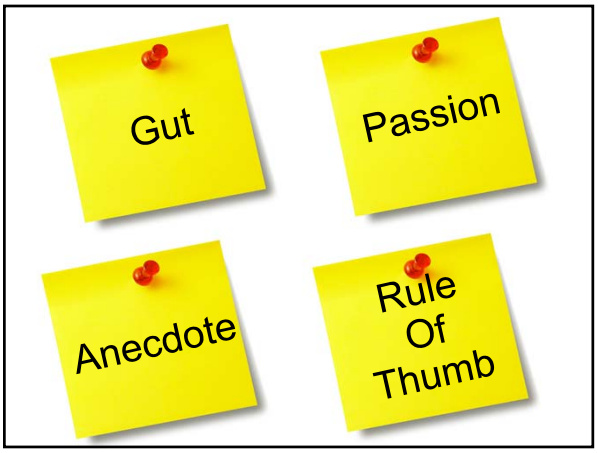


"Most companies **fail**. It's an unsettling fact for bright-eyed entrepreneurs, but old news to start-up veterans..."

- New Venture Labs





THE RESEARCH

4,000 startups

10,000 founders

20,000 executives

THE RESEARCH

HARVARD | BUSINESS | SCHOOL

9-805-150

REV: JULY 10, 2006

NOAM WASSERMAN
HENRY MCCANCE

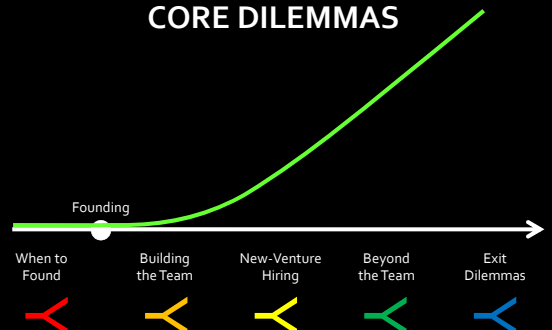
Founder-CEO Succes[illegible] Technology

36

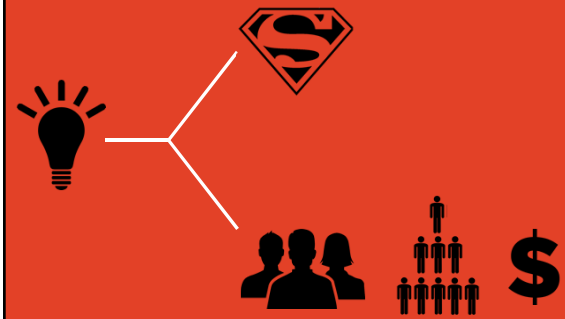
Lev Cirne sat stunned in his chair, digesting what Richard Williams had just proposed. As the founder, CEO, and chairman of Wily Technology, Cirne (pronounced "Ser-nee") had worked hard to build the skills necessary to lead a start-up, had developed Wily's early technology single-handedly, had hired 50 employees to help him build the company, and had successfully spearheaded a strategic transformation of the company. He had led the company to the point where he had convinced several important customers to buy Wily's flagship product and had successfully raised two rounds of financing from top investors.

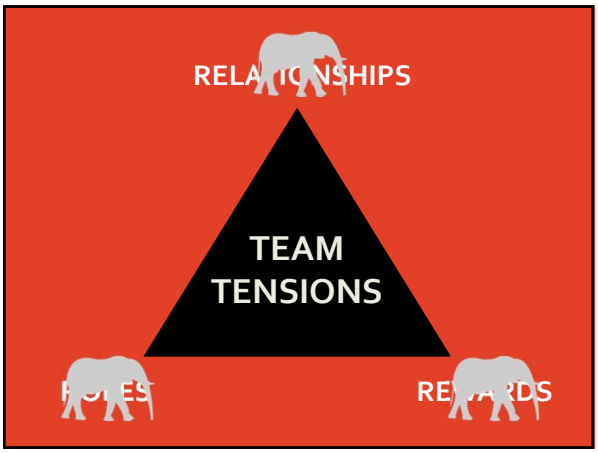
However, after the last round of financing, at the behest of Wily's lead venture capitalist, Cirne

CORE DILEMMAS

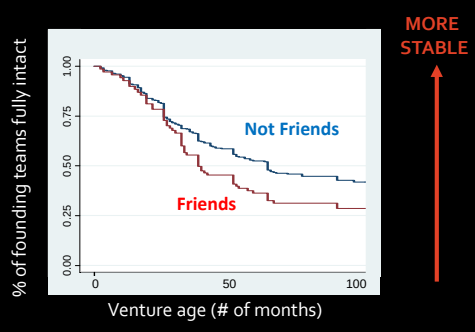


FOUNDING TEAM DILEMMAS



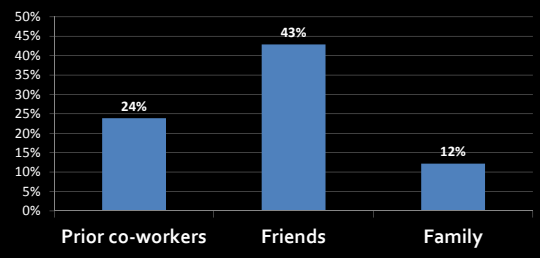


FOUNDING TEAM STABILITY

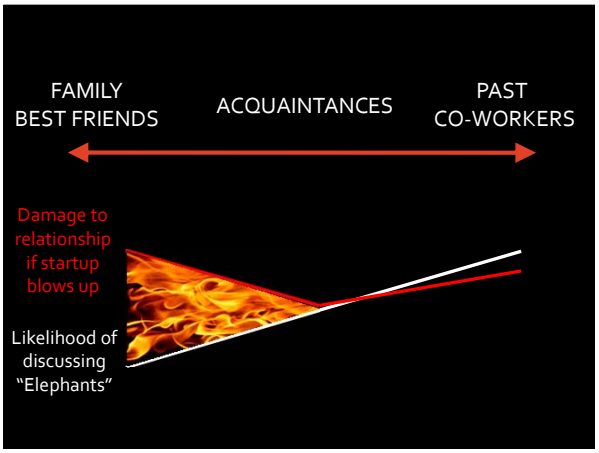


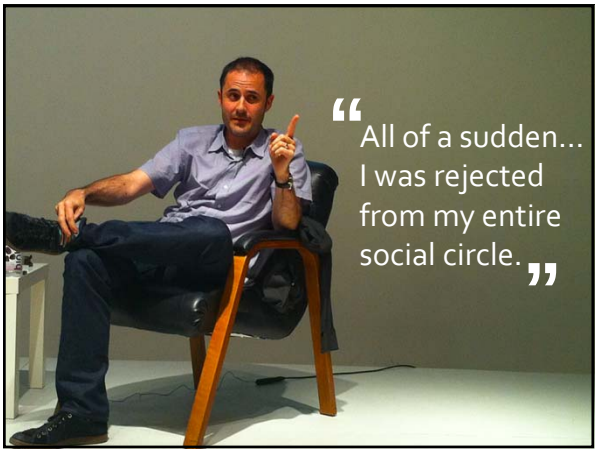
Data: Wasserman and Marx, "Split Decisions," AOM 2008 (379 Tech ventures, 2006 survey)

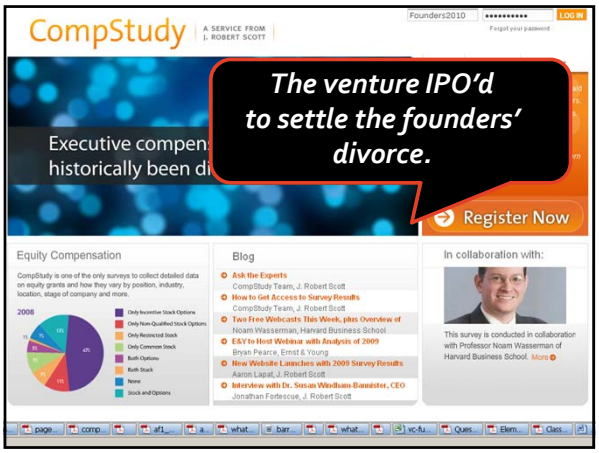
FOUNDING TEAMS: PRIOR RELATIONSHIPS

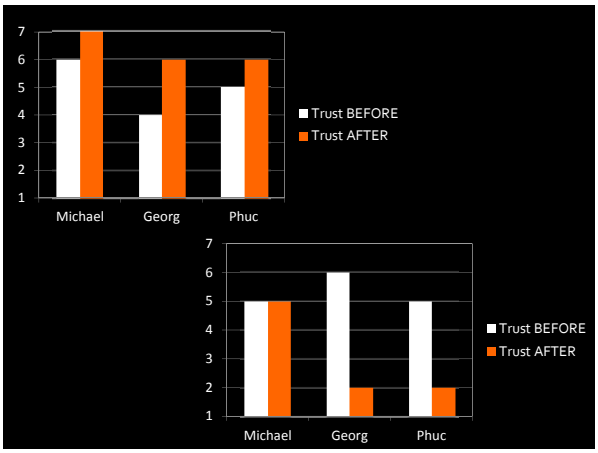


Wasserman (2008), 966 founders from 308 private IT ventures









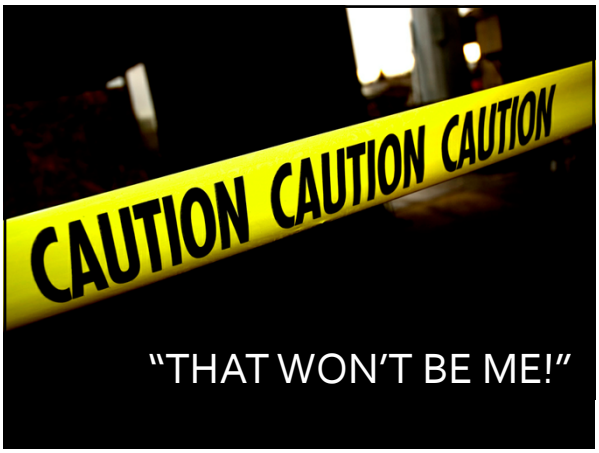
73%

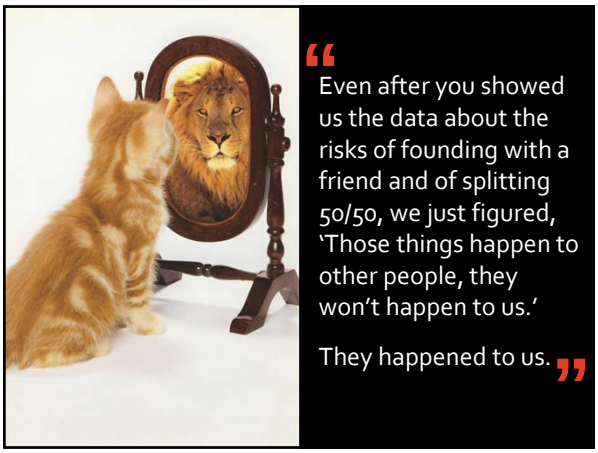
SPLIT EQUITY
WITHIN A
MONTH
of founding

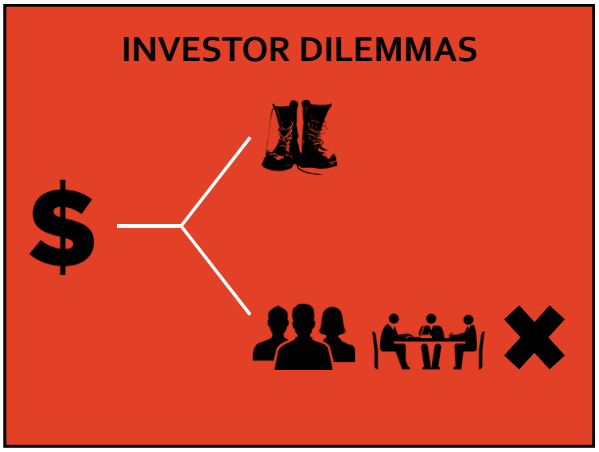
STATIC OKAY?

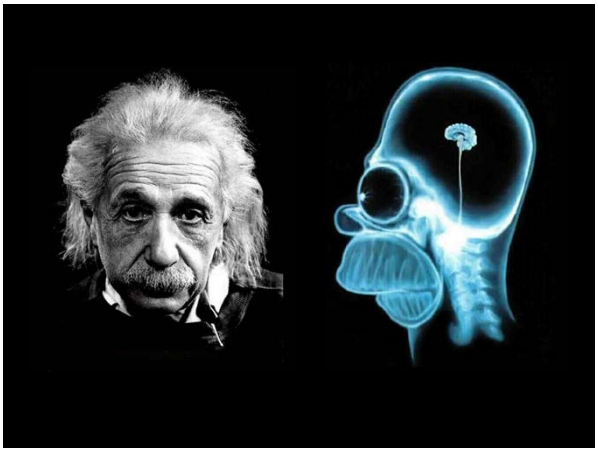
- ✓Strategy stabilized?
- ✓Business model set?
- ✓Future skill-requirements known?
- ✓Future roles set?
- ✓Each founder 100% committed throughout?
- ✓No personal uncertainties for anyone?

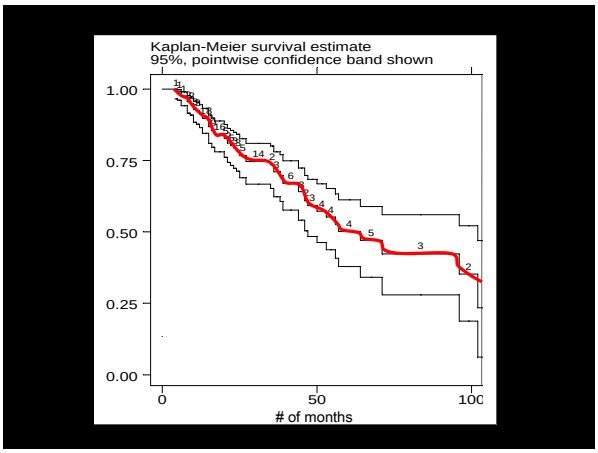
Otherwise, do a dynamic split!


CAUTION CAUTION CAUTION
"THAT WON'T BE ME!"


"Even after you showed us the data about the risks of founding with a friend and of splitting 50/50, we just figured, 'Those things happen to other people, they won't happen to us.'
They happened to us."


INVESTOR DILEMMAS
$





"RICH VS. KING"

CONTROL	FINANCIAL GAINS: Low	FINANCIAL GAINS: High
Small Player	Flop	RICH
Big Player	KING	Rich & King

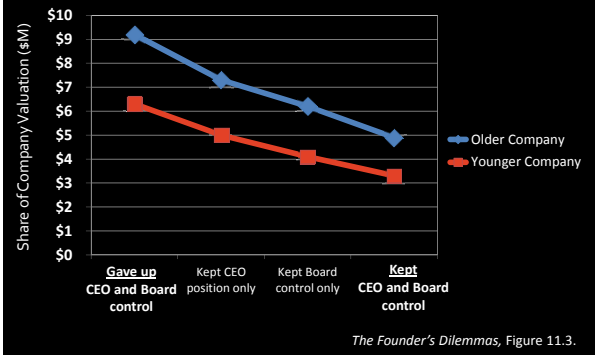
FOUNDER CHOICES AT THREE LEVELS

	GROW VALUE	KEEP CONTROL
CO-FOUNDERS		
HIRES		

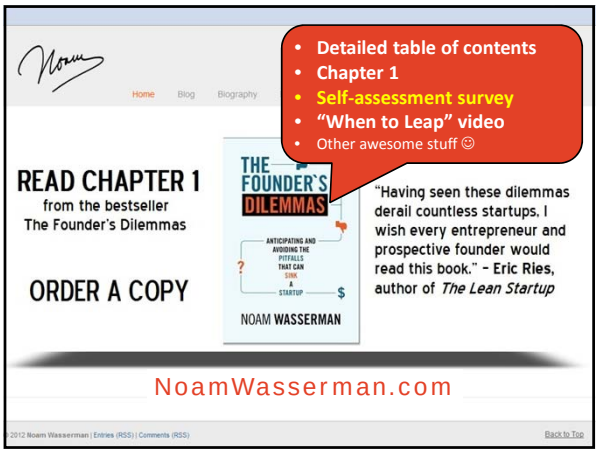
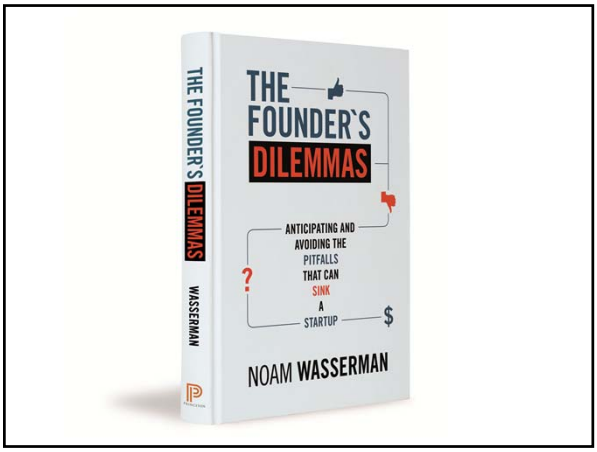
"RICH VS. KING"

FORKS IN THE ROAD: CUMULATIVE EFFECTS

FINANCIAL TRADEOFF



The Founder's Dilemmas, Figure 11.3.



- Detailed table of contents
- Chapter 1
- Self-assessment survey
- "When to Leap" video
- Other awesome stuff ☺