BUILDING YOUR FOUNDING TEAM: THE IMPORTANCE OF THE FOUNDING TEAM

Professor Ethan Mollick
Twitter: @emollick
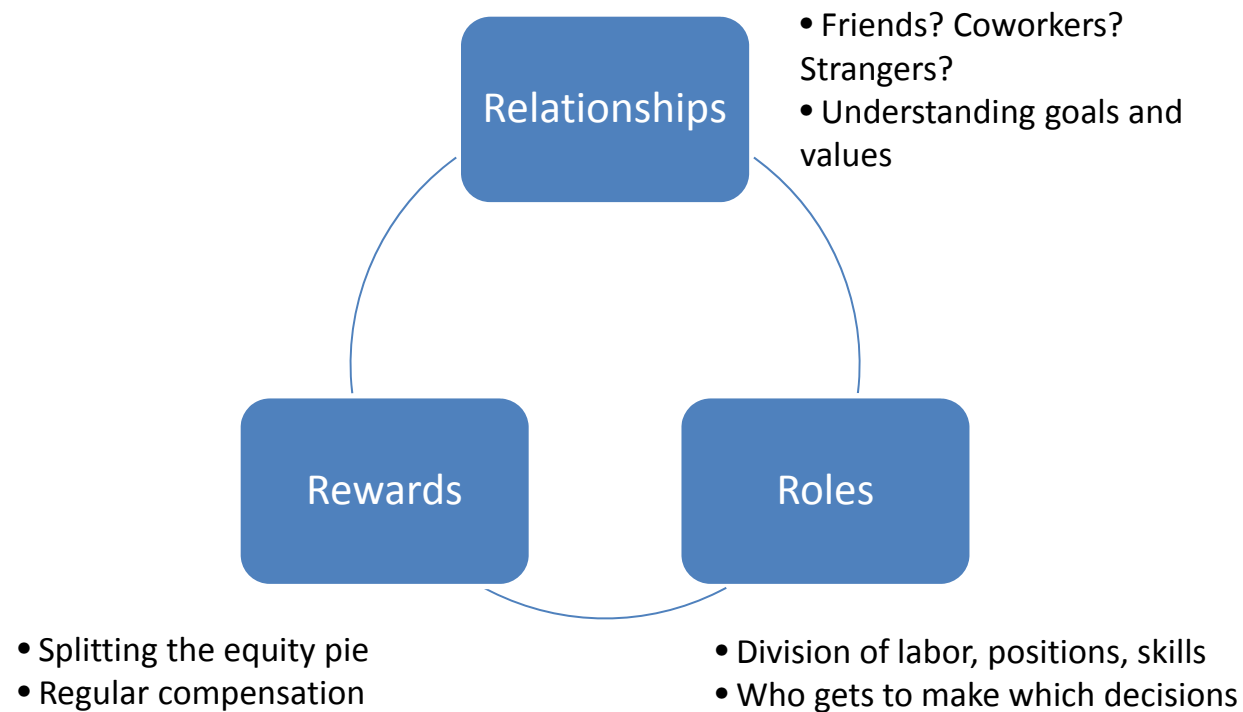
Wharton ONLINE
UNIVERSITY of PENNSYLVANIA
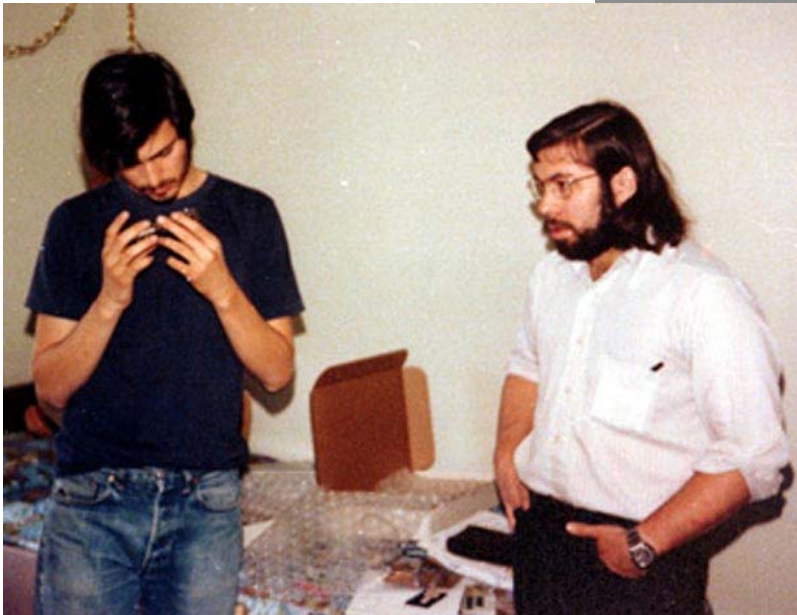
Causes of Failure in VC-Backed firms

■ Product development, functional management, marketing, etc

■ Senior management team

35%

65%
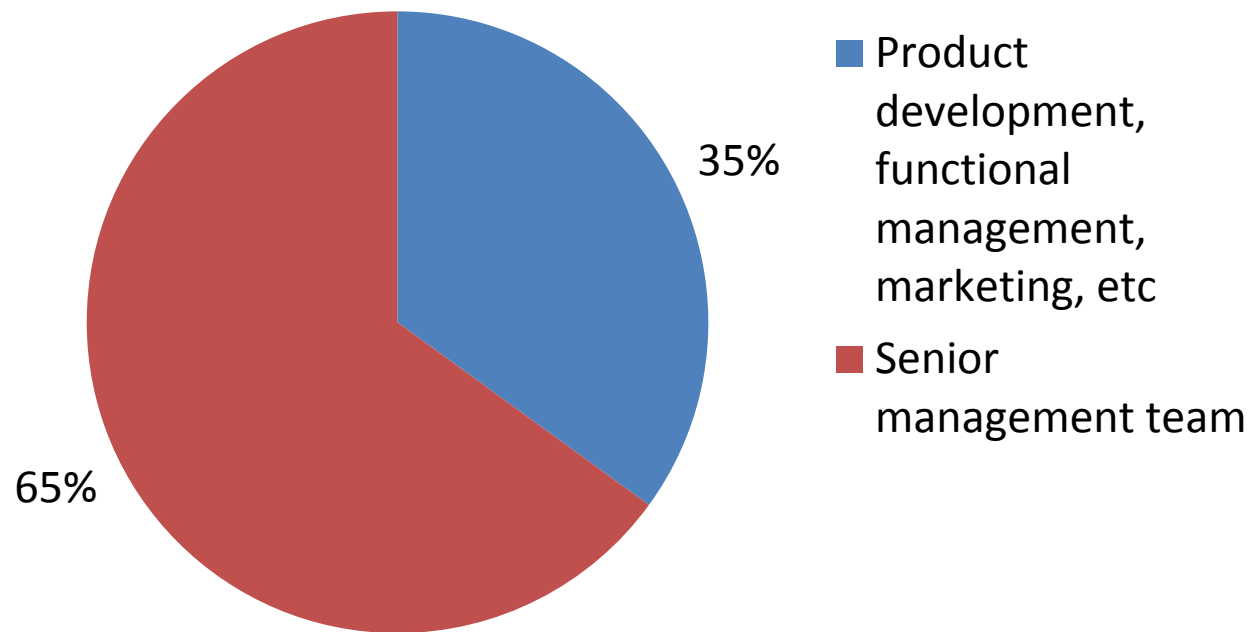
Gorman and Sahlman, "What do VCs do?," JBV, 1989

WHARTON ONLINE   Entrepreneurship

Balancing a founding team

Relationships
- Friends? Coworkers? Strangers?
- Understanding goals and values

Rewards
- Splitting the equity pie
- Regular compensation

Roles
- Division of labor, positions, skills
- Who gets to make which decisions

Noam Wasserman, Founders Dilemmas

Relationships

- 84% of high growth startups have cofounders
  - 50% of those are friends or family
  - 24% are former coworkers

- Friends and family
  - \+ High levels of trust, warmth, and support
  - \- Higher rates of failure, relationship at risk
  - \- Homogenity lowers innovation

- Strangers
  - \+ Can build a more focused team
  - \+ Business relationships don't need to be friends
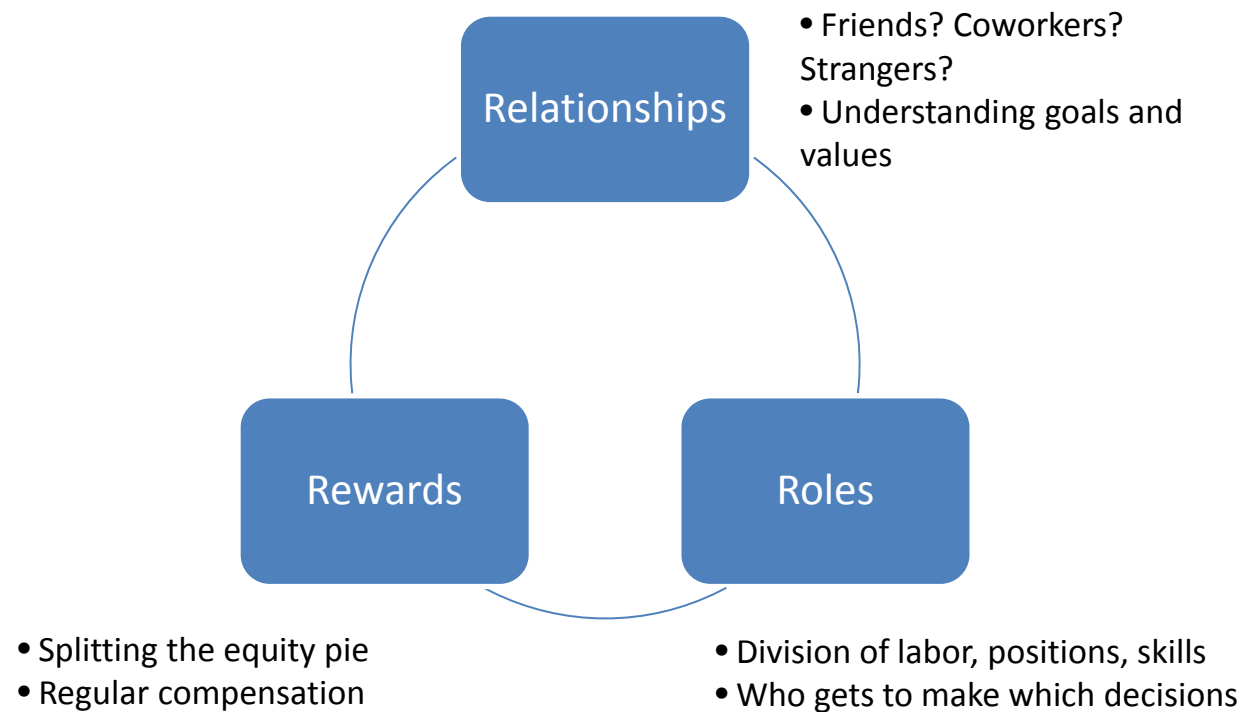 - – Need to build trust, may be harder to find

Roles

- You need to have some roles people understand, like CEO

- Clear division of labor is best
    - But you still need to rebalance

- How do you make decisions?
    - Votes?
    - Consensus?
    - Unequal equality?

Rewards

- You need to be able to talk about money

- Leave flexibility and incentives

- Vesting and contingent provisions

- Understand what people really want, money does not need to equal control.

Balancing a founding team

Relationships
- Friends? Coworkers? Strangers?
- Understanding goals and values

Rewards
- Splitting the equity pie
- Regular compensation

Roles
- Division of labor, positions, skills
- Who gets to make which decisions

Noam Wasserman, Founders Dilemmas