CPSC405
Case Analysis One

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1.   *What are the advantages/disadvantages of founding a company with your friends?*

It is important for any entrepreneur to surround themselves with a knowledgeable group of people. The power of having a team enables the entrepreneur to do more than they could accomplish alone because the team can complement their weaknesses. At certain times, the individuals that form your team can be likeminded friends, though it is meaningful to evaluate the advantages and disadvantages of that.

Some advantages to working with friends is that you know and trust them well. It can serve as a positive during team selection because you already have past life experience with them and know their personality/nature. Sharing the same interest and passion for the product/company you are founding can create a sense of mutual respect and understanding. In the specific case of Zeo, founding a company with friends turned out to be an advantageous situation since they remained with each other after building the company and also evolved their roles with little to no points of contention.

While there may be advantages, it is also important to assess the disadvantages when founding a company with your friends. You are now mixing two relationships together; a new professional relationship and a previous personal relationship. It is crucial to consider that a good friend might not necessarily make a good business partner. Since you are comfortable with each other, one friend might feel it is okay for them to not put an equal amount of effort compared to the other team members. An example of a company that caused a rift between friends is Facebook. Zuckerberg eventually had to force Saverin from the company even though they were friends due to creative differences[1].

2.   *How did the founders identify and entice stakeholders to join their board of advisors?*

Statistics showed that as little as 24% of Americans had few nights of good sleep per week. This helped cement that this was indeed a real problem that needed to be addressed. As such, Zeo decided to appeal to the scientific community and prove themselves worthy that they had a product that offered a solution to the sleep issues problem.

Ben Rubin, one of the cofounders of Zeo, began to cold call key specialists in the field of sleep science. He noted that persistence was key and once past the gatekeepers (i.e. administrative

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[1] Bygrave, W. D., Zacharakis, A., & Wise, S. (2007). *Entrepreneurship*. Hoboken, NJ: Wiley.

assistants) the actual specialists showed genuine interest in the product. Specialists also offered support in the form of becoming key contacts and expanding the company's network web.

This led Zeo to discover more and more advisors which eventually became an informal group across leading medical institutions. One contact, John Shambroom, even joined in on development efforts for the product. Once Shambroom joined, he formalized the group into an actual board of advisors. Having a knowledgeable board of advisors allowed Zeo to gain much needed credibility when it came to potential financial investors as well. Ultimately what caused success in enticing stakeholders to join their board of advisors was persistence, networking and having a scientifically viable product.

3. *Why did the founders seek a new CEO? Would you do that or would you want to run the business yourself? What was the process they used to select the CEO?*

The founders of Zeo sought to create a meaningful product that would gain national and later international adoption. They recognized their weaknesses given their lack of business expertise and knew they could not achieve their goals successfully on their own. Because of this, they looked for the appropriate person that had the right background knowledge and skillset that could become an invaluable asset to the company. The process in which they used to select the CEO involved engaging with an executive search firm that had experience with startups. The firm narrowed the search down to three people who were then interviewed extensively. This person had to have an entrepreneurial outlook and a successful record marketing consumer health products[2]. In addition to that, the founders were looking for someone with mentorship experience that would help not only the company grow, but the individual founding members as well as the company transitioned from a startup to a real business. This process resulted in them finding Dave Dickinson who had experience with consumer health product companies and an open mentoring personality.

Personally, I would like to remain in charge of the way the business be run. Although there are definite benefits to hiring someone with a proven track record to lead the company, I would rather surround myself with great minds acting as advisors instead. The reason I would like to remain as CEO would be because if I am able to lead the company long enough from its formation as a startup to its transition into a bigger business, I may have greater faith in my employees that would want me to continue serving as the CEO. It would also be because I would be the most familiar with the inner intricacies of the company due to founding it and knowing the product well enough. One of the best examples of a company that had a very strong founder that remained as CEO through the end was Steve Jobs and Apple.

4. *How did the role of each founder change as the company grew?*

Initially, the founding members of the companies had more involved, specialized roles when it came to the company. They also had more say when it came to decision making policies. Ben Rubin was in charge of developing prototypes, Jason Donahue was involved with sales and customers, Eric Shashoua's role consisted of seeking angel investors. Roughly speaking, we can say that Rubin was involved with Operational Experience, Donahue was involved with Business Acumen and Shashoua was involved with Domain Knowledge when it comes to the talent triangle.

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[2] Bygrave, W. D., Zacharakis, A., & Wise, S. (2007). *Entrepreneurship*. Hoboken, NJ: Wiley.

It is also important to note that each of these founders were working very long hours and because the employee numbers were smaller, they all took on more roles.

As the company transitioned from the start up stages to becoming an actual business stage, the founding members roles also grew. They began to take more overseeing roles; Rubin was now focused on technology and its application to future sleep-related products, Donahue was involved with brand management/customer satisfaction, and Shashoua focused on business development. Notice that each of these roles is actually an extension or evolution of their old roles, rather than completely new unrelated roles. In addition, the founders noted that they had less power when it came to decision making issues now. Whereas before the power was concentrated on a few individuals, as they company grew the process become more complicated and bureaucratic.

5. ***How do you maintain the culture when the company is professionalizing with a large top management team?***

The startup culture of a company can be a lot different when compared to becoming a formal business organization. Startups tend to be more leaned back with lower levels of bureaucracy and higher levels of intercommunication between individuals[3]. This is easier because a company has a smaller number of employees in its initial phase. Even the actual structure in which the company operates would adopt a more open space area to allow for ease of collaboration. As a company grows, greater number of rules, regulations and restrictions are placed with employees having a more prevalent hierarchy. There are increasing numbers of barriers that come into play and essentially more workplace 'politics'. This could potentially be an issue because the once innovative, entrepreneurial spirit of a company that led them to success in the first place may begin to deteriorate which can be detrimental.

In order to preserve the same startup culture as the company grows, I would try to divide the employees into small, localized teams. Steve Jobs actually employed this technique when he came up with the iPhone, where he had two very small, separate teams work on the same solution to promote a more startup like experience[4]. If I was part of top management, I would try to remain very engaged in the low-level design/product process like how I was originally when founding the company. By attempting to blur the lines of employee hierarchy, it would emulate that startup culture. As mentioned, it's also important to have an open space working environment that allows for ease of discussion rather than cubicles, for example. In summary, even though a large-scale corporation can't 100% emulate the startup culture, they can adopt behaviors, practices and management styles to still have the entrepreneurial spirit.

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[3] Bygrave, W. D., Zacharakis, A., & Wise, S. (2007). *Entrepreneurship*. Hoboken, NJ: Wiley.
[4] https://www.theverge.com/2017/6/13/15782200/one-device-secret-history-iphone-brian-merchant-book-excerpt