



Lloyd Greif Center  
for Entrepreneurial Studies

USC Marshall  
School of Business

**BAEP-555:**

**FOUNDER'S DILEMMAS: ANTICIPATE AND AVOID STARTUP PITFALLS  
Spring 2018**

**Instructor:** *Noam Wasserman*  
**Office:** *Fertitta Hall 514*  
**Office Hours:** *By appointment (see link on Blackboard)*  
**Email:** [noam.wasserman@usc.edu](mailto:noam.wasserman@usc.edu)

**COURSE DESCRIPTION**

BAEP 555 is an entrepreneurship course for graduate students.

Within high-potential ventures, the biggest source of failure is “**people problems**”: The tensions among the founders, or between the founders and the non-founders who join them. In this course, we will examine a range of dilemmas regarding the choice of cofounders and hires, splitting the roles and equity within the team, whether and how to involve investors, why and how founders are replaced, and exit dilemmas.

With each decision, we will delve into the potential pitfalls that exist and the ways to anticipate and avoid those pitfalls. Through experiential exercises and role plays, we will develop your skills at dealing with a variety of difficult conversations and negotiations that you might face within your startups. From the discussion of case studies that focus on the founders of high-potential startups, we will develop frameworks to guide your decision making.

Most classes have some experiential component – including experiential exercises, negotiations, or case studies in which you have to role play as the case protagonist – but we will also feature panel discussions, video clips, and guest appearances from case protagonists and industry experts. To provide greater context and understanding of these founding dilemmas, we will tap statistics gleaned from a dataset I have collected on 15,000 founders over the last 17 years.

*Preparation for class:* As a graduate-level course, you are expected to **fully prepare** our material and to **participate** in our exercises and class discussions. Every class for which there is an assigned case study has an associated **pre-class case poll**. You are expected to complete the poll promptly and thoughtfully, and should be ready to describe and defend your answers to the poll in class.

*After class:* In addition to each day’s core material, there are additional **post-class readings** that you should complete and that you are expected to tap in the course’s written assignments (most centrally, the blog posts). After panel discussions and exercises, you are expected to reflect on your biggest takeaways and to **submit your most important takeaway**, which will be distributed (anonymized) in class.

## **COURSE OBJECTIVES**

This course is for students who plan to become involved in new ventures. This involvement can occur in any of the following ways:

1. As founders of a new venture, now or at mid-career
2. As early hires, early advisors, or board members in new ventures
3. As potential investors (e.g., VCs), customers, partners, or acquirers of new ventures

The course is designed to help these potential founders, hires, and investors prepare for the decisions they will face both before and during their involvement with new ventures.

Upon successful completion of this course, you should be able to:

1. Anticipate which early people decisions can cause problems for founders and their startups
2. Describe the tradeoffs of involving cofounders, hires, investors, and board members in their startups
3. Articulate the potential hidden biases and inclinations within themselves (and their collaborators) that might cause problems for building their startups
4. Analyze the factors that heighten the chances that their founding teams will splinter or that they will lose their positions as CEOs of their startups
5. Assess their own motivations for becoming involved in startups and understand how those should affect their founding decisions throughout the lifecycle of the startup

### **Typical Daily Activities for a Founder's Dilemmas student**

If you enroll in the course, your typical activities for each class day will include the following. (For each item, further details are provided in the sections below.) Please consider carefully whether you are ready to take on these responsibilities for every day of the course.

- **Individual preparation** – Prepare the case study or exercise that we will be doing or discussing, to the depth necessary for you to be able to “be” the protagonist in a role play in class.
- **Group preparation** – Meet with your case-preparation team to discuss the case and beta test your potential class contributions.
- **Complete pre-class poll** – Fill out and submit the pre-class poll by the deadline given below. (If your preparation team will be meeting after the pre-class poll deadline, please make sure to complete the poll by the deadline anyway.)
- **Participate in class** – Come to class fully prepared to delve into the material, the actions the protagonists should take, the difficult conversations they might have, or anything else relevant to that day's material.
- **Wrap-up and reflection** – Complete any post-class polls or wrap-up activities (e.g., post-class readings).

In addition to these daily activities, within each module we will have other activities that are described below (e.g., blog authoring and commenting).

## **COURSE MATERIALS**

Required materials include the following:

- **Cases and exercises:** You will be able to acquire the required cases at a discount from the Harvard Business School site through the link posted on Blackboard.
  - Please note that according to the HBS Publishing terms, it is illegal for students to share course readers. **Each student must buy his or her own.**

- **Post-class readings** are assigned after most classes, and will help you deepen and enrich the insights you gained in that class. Please try to incorporate these readings into your blog posts (and, if relevant, your final exam).
- **Additional readings** and/or cases may be assigned throughout the semester. These additional readings and cases will be posted to Blackboard if possible. If not, they will be handed out in class.

If you have any questions or need assistance with the Blackboard Course Pages, please contact the Marshall HelpDesk at 213-740-3000 or [HelpDesk@marshall.usc.edu](mailto:HelpDesk@marshall.usc.edu).

### Meeting Times

I would love to meet with you to discuss anything you want, whether it's your own founding dilemmas, career decisions, or questions about things we've covered in class. To save you from wasting time lining up during drop-in office hours hoping to get a few minutes in my office, **please grab a pre-set slot** on my office-hours schedule. The link to the meeting sign-up site is on Blackboard. Each month, I set aside a weekly block of slots, and then add slots whenever those fill up. **If none of the remaining slots work for you or they are all full**, please just let me know and we'll arrange something ourselves. Looking forward to chatting!

## GRADING

### *Class Participation*

**Class participation plays a substantial role in this course.** The importance of participation in the grading process reflects the fact that the course's core material is highly experiential and case-based, involving substantive discussion, rigorous analysis, and deep engagement with the material. You will experience the founding journey by putting yourself in the shoes of our case protagonists, making decisions in their place, and conducting the difficult conversations that are critical to succeeding as an entrepreneur. You will also undertake a number of exercises for skill development and application of concepts. Collectively, these require your attendance; without attendance, you cannot participate or learn the required content. Entrepreneurship is inherently collaborative – a social process. Entrepreneurs find opportunities, adapt, change, and improve themselves by listening and learning from others, and this course enables you to improve in these areas.

**I will cold call on a regular basis** to involve multiple perspectives and points of view, to encourage your skill development, and to ensure deep enough engagement with our material that you will be prepared to make these decisions yourself in real life.

Please come to each class prepared to participate in the day's activities. To help you prepare to participate, at the beginning of the semester we will be assigning you to a small team of classmates (on average, teams will include 4 students) who will be your **Case Preparation Team**. You should get together with your team before each class (at a time convenient to you and your teammates) to discuss that day's case study or case studies. The most effective teams usually spend 20-30 minutes per case, beta testing their best (or most radical) ideas on their teammates, hearing other views, incorporating them into their thinking, and pushing back on each other to improve the thinking and potential contributions.

Participation grading will be based on your in-class contributions to our learning. **Immediately after every class, I grade the contributions of each contributor** to that day's discussion. In general, the best class participation will be when you are **highly engaged** in and **well-prepared** for each class session; you **contribute new, important, and relevant insights** on a regular and timely basis; and you **draw from relevant personal experience**, where appropriate.

To help you maximize your own effectiveness in the classroom, you will also receive **instructor feedback** on your participation. After each class, I email feedback to the best 2-5 contributors. In the middle of the semester,

I email everyone feedback about their participation up to that point, highlighting the classes when you made your best contributions so they can serve as models for the future.

If you are unable to participate for any reason, **please make sure to consult me early in the semester.**

If you must be absent from class, please notify me by **completing the Absence poll** for that day before 10am so I can plan accordingly (e.g., so I do not plan to call on you during the discussion only to find that you aren't in class!). A link to the Absence poll is posted on Blackboard along with the links to our daily pre-class polls. Students who do not provide advance notification of an absence are at risk of having their Participation grade affected.

### *Pre-Class and Post-Class Polls*

For almost all case discussions and exercises, you will **complete pre-class polls** (and sometimes post-class reflection polls) about what decisions the protagonists should make, your biggest reflections on the cases or exercises, and other items. To access the polls, please use the Blackboard document with links to all of the polls.

Polls will vary in length, and can be extensive; you will need to have completed your class preparation in order to be able to answer the poll questions. The polls give you a chance to demonstrate your understanding of the material, and **questions asked in the polls (and your answers to them) will play a central role in the discussion for that day.** Your poll answers will also play a central role in the teaching plan that I assemble, in advance, for each day.

In addition, some days you will also complete a post-class poll relevant to the core of that class's learning.

### *Blogs and Blog Comments*

At three points during the semester (at the **end of two modules** and for the **late-semester Stretch Beyond Startups blog**), you will be asked to deliver blogs in which you reflect on specific topics related to that portion of the class. Emphasis is here placed on identifying lessons that are both (1) surprising/new, and (2) important.

Within one week after each blog's deadline, you are expected to provide **comments on three classmates' blog posts.**

The blog assignments are described in detail in the "Blogs and Blog Comments" section below.

### *Final Exam: Case Study*

For the course's final, you will be given a case study that you haven't seen yet, and will be asked to apply what you have learned in order to analyze what has happened so far in the case and what the protagonists should do at the end of the case. The case will be relatively all-encompassing, touching on issues from across our core modules and enabling you to demonstrate your mastery of our material throughout the semester.

**If you have done your preparation for each day of class,** it should be easy for you to prepare for the final; if you have not prepared adequately throughout the semester, it will be hard to conquer enough of our material to do well on the case final.

### **Summary of Grading Elements**

	% of Overall Grade
Class Participation	20%
Pre-class and Post-class Polls	15%
2 (of 4 opportunities) Module Blogs	20%
Blog Comments (3/module) for 4 Module Blogs	11%

Stretch Beyond Startups (SBS) blog	11%
Blog Comments (3) for SBS blog	3%
Case Final Exam	20%
<b>Total</b>	<b>100%</b>

### **Assignment Submission Policy**

- Unless noted, pre-class assignments (e.g., polls) should be **submitted by 10am** on the day of class.
  - Pre-class polls will close at (i.e., not be available after) the submission deadline, so they cannot be submitted late.
- Point deductions for other late assignments (e.g., blogs) will be as follows:
  - Assignments turned in after the required time on the due date and within 24 hours of the date due will lose 25% of the total points possible.
  - Assignments turned in 24 hours after the due-date will lose 50% of the total points.
  - No assignments will be accepted 48 hours after the date due.
- All written and blogging assignments should follow the **word limits** listed in this syllabus.
- Every class session includes some kind of submission (written assignment, blog or blog comments, and/or pre-class poll). If you haven't submitted anything for a session, please **double-check** what that day's assignment is!

### **Evaluation of Your Work**

To achieve an A in this class, you will need to go well beyond the minimum requirements as stated in the syllabus in terms of the quality of your work and your involvement in and contribution to the class. An A is a sign of superior work and, much like the efforts of entrepreneurs, reflects the fact that you stood out from the crowd.

If you have any questions about your grade or anything about the class during the semester, please make an appointment to see me or talk by phone to discuss these issues. If you do not notify me of an incorrect or missing grade within two weeks of the grade being posted, the grade will be assumed correct.

**Please be advised that your papers will be submitted through "TurnItIn" in Blackboard, which will generate an originality report on your paper.** Bottom line: Your original thought, in addition to carefully cited sources, will insure that you don't run into academic integrity issues that may affect your grade or your standing at the university. Any material cited verbatim from its original source should be in quotes and contain a reference to a full citation for that source. Paraphrased work should also contain a reference to the source citation.

## **BLOGS AND BLOG COMMENTS**

Each student will be required to **write three short blog posts** and to **comment on classmates' blog posts**. (NOTE: Your blogs and comments follow the same rules as our in-class discussions: They will only be seen/heard by the people in your specific section of Founder's Dilemmas.)

There are three major goals of the Blogs (and Blog Comments):

- Have each member of the section *add new, important insights* to issues we have studied, or highlight new and important issues that are relevant to founders.
- Facilitate *out-of-class dialogue* about founding issues, to further enhance our learning from each other.
- Enable you to *review and enhance* your understanding of the material and lessons we've covered.

### *Blog Topics*

The **first two** required blog posts should be tied to the content of two of our four course modules described below. For your blog posts, you can choose either of our first two modules and either of our last two modules.

For your **third blog post (“Stretch Beyond Startups”)**, think about the Founder’s Dilemma (FD) lesson you would most want to convey to someone *not involved in a startup*. That lesson should be both (1) surprising/new (i.e., something the person doesn’t already know), and (2) important (e.g., learning it might lead to a different action than if s/he hadn’t heard your advice/lesson). Describe the lesson, why it’s important outside of startups, and how they can apply that lesson in their work or life.

Note: You should be posting this blog to the same FD Blog platform you used for your two Module Blogs, selecting “Stretch Beyond Startups blog” as its category.

### *Blog Content*

You should blog about any relevant issue to which you can add insights and about which you are passionate. In case it’s helpful, before each blog is due, I will provide you with a list of potential topics. However, please do not limit yourselves to those topics; some of the most interesting posts come from new issues and topics!

The best blog posts often tap one or more of the following sources to enhance their insights:

- Integrating rigorous *data* (from existing research or other sources) in a way that sheds light on the issue.
- Integrating, in a substantive way, *interviews* (e.g., in published materials or blogs) with founders or others involved in startups.
- Relating your insights to *specific FD materials*, exercises, or protagonists.
- Highlighting important ways in which conventional wisdom or *common practice is wrong*.
- Leveraging your own past *experiences* and hard-learned lessons about founding.
- Providing insightful reflections about *personal implications* for you in the future.

Try to anticipate what counterarguments your classmates could make (and will make, in their blog comments) and address them proactively.

Two cautions:

- **Don’t jump the gun** and post about an issue that will be covered in a future module. Instead, you can draft your blog earlier in the course, but then set it aside and revisit it after we get to that future module.
- In your blogs, **resist the urge to create “strawmen”** – simplistic arguments that leave out key contextual issues or details – in which you then proceed to poke holes. For instance, don’t assert that, “We said in class that you should never found right out of school,” and then describe a founder who succeeded right out of school. (Other examples: “We said that a 50/50 split is always bad” or “We said that professional CEOs will always outperform founder-CEOs.”) Instead, think more deeply about the contexts in which our cases and frameworks most and least apply, and the nuances we covered that can lead to different implications for different founders or startups (and, by extension, for you).

### *Blog Timing and Length*

Each module blog is due at midnight the day we finish that module’s last class session.

The Stretch Beyond Startups blog is due at midnight on the day set aside for you to work on the SBS blog.

Each of your blog posts should be a **maximum of 400 words**. Before finalizing the post, please make sure it is within this maximum length. Blogs that are longer than the maximum length will have points deducted.

### *Blog Comments*

One week after each blog's deadline, your **comments on three classmates' blog posts** are due. (You should also comment on your classmates' "Stretch Beyond Startups" blogs.)

The best comments are those that *clearly but concisely* highlight ways to sharpen or strengthen the original post or that shed additional light (e.g., your personal experiences) on the issues in the original post. Each blog comment should be less than 250 words.

**Even if you did not submit a blog post for that module** (after all, you get to choose 2 of 4 modules to blog), you should comment on three classmates' blog posts. For the Stretch Beyond Startups blog, you should also **comment on three classmates' SBS blog posts**.

In order to find posts to which you can add important insights or feedback, you should not read all of your classmates' posts. Instead, first skim the posts' titles or categories to find posts that might be of interest to you, and then read those posts to find ones to which you can add insights.

### **LLOYD GREIF CENTER FOR ENTREPRENEURIAL STUDIES' CONFIDENTIALITY POLICY**

Throughout the classes and events of the Lloyd Greif Center for Entrepreneurial Studies ("the Greif Center"), students will be exposed to proprietary information from other students, guest lecturers, and faculty. It is the policy of the Greif Center that all such information be treated as confidential.

By enrolling in and taking part in the Greif Center's classes and activities, students agree not to disclose this information to any third parties without specific written permission from students, guest lecturers or faculty, as applicable. Students further agree not to use any such proprietary information for their own personal commercial advantage or for the commercial advantage of any third party.

In addition, students agree that any legal or consulting advice provided without direct fee and in an academic setting will not be relied upon without the enlisted opinion of an outside attorney or consultant without affiliation to the Greif Center.

Any breach of this policy may subject a student to academic integrity proceedings as described in the University of Southern California Student Handbook SCampus and to any remedies that may be available at law.

The Lloyd Greif Center for Entrepreneurial Studies, the Marshall School of Business, and the University of Southern California disclaim any responsibility for the protection of intellectual property of students, guest lecturers, faculty or staff who are involved in our classes or events.

Receipt of this policy and registration in our classes is evidence that you understand this policy and will abide by it.

### **STATEMENT OF ACADEMIC CONDUCT AND SUPPORT SYSTEMS**

USC seeks to maintain an optimal learning environment. Students are expected to submit original work. They have an obligation both to protect their own work from misuse and to avoid using another's work as their own. All students are expected to understand and abide by the principles of academic honesty outlined in the University Student Conduct Code (see University Governance, Section 11.00) of SCampus ([www.usc.edu/scampus](http://www.usc.edu/scampus) or <http://scampus.usc.edu>). The recommended sanctions for academic integrity violations can be found in Appendix A of the Student Conduct Code.

#### **Students with Disabilities:**

USC is committed to making reasonable accommodations to assist individuals with disabilities in reaching their academic potential. If you have a disability which may impact your performance, attendance, or grades in this course and require accommodations, you must first register with the Office of Disability Services and Programs ([www.usc.edu/disability](http://www.usc.edu/disability)). DSP provides certification for students with disabilities and helps arrange the relevant accommodations. Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me (or to your TA) as early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m.–5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: [ability@usc.edu](mailto:ability@usc.edu).

**Support Systems:**

*Student Counseling Services (SCS) - (213) 740-7711 – 24/7 on call*

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. <https://engemannshc.usc.edu/counseling/>

*National Suicide Prevention Lifeline - 1-800-273-8255*

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. <http://www.suicidepreventionlifeline.org>

*Relationship & Sexual Violence Prevention Services (RSVP) - (213) 740-4900 - 24/7 on call*

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. <https://engemannshc.usc.edu/rsvp/>

*Sexual Assault Resource Center*

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: <http://sarc.usc.edu/>

*Office of Equity and Diversity (OED)/Title IX compliance – (213) 740-5086*

Works with faculty, staff, visitors, applicants, and students around issues of protected class. <https://equity.usc.edu/>

*Bias Assessment Response and Support*

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. <https://studentaffairs.usc.edu/bias-assessment-response-support/>

*Student Support & Advocacy – (213) 821-4710*

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. <https://studentaffairs.usc.edu/ssa/>

*Diversity at USC – <https://diversity.usc.edu/>*

Tab for Events, Programs and Training, Task Force (including representatives for each school), Chronology, Participate, Resources for Students

***IMPORTANT! RECEIPT OF THIS SYLLABUS AND REGISTRATION IN THIS COURSE WILL SERVE AS EVIDENCE THAT YOU UNDERSTAND AND ACCEPT THE REQUIREMENTS OF THE COURSE.***



**Course Calendar**

The following pages include a detailed, session-by-session description of planned topics and assignments. A table summarizing the daily schedule is below.

	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Additional polls</i>
	1/9 <b>Intro and Crossroad</b>		1/11 <b>Lucas' Leap</b>	Polls: Careers, Personal Pref's
	1/16 <b>Mason &amp; Shepherd</b>		1/18 <b>Curt Schilling</b>	
	1/23 <b>Careers Panel</b> <i>(Module 1 blogs due)</i>		1/25 <b>ProLab</b>	
	1/30 <b>Haute Hunte</b>		2/1 <b>Savage Beast</b>	
	2/6 <b>(UpDown negotiation)</b>		2/8 <b>UpDown Debrief</b>	
	2/13 <b>Healthcraft Exercise</b>		2/15 <b>Module Wrap-up</b>	Poll: Modules 1&2 Feedback
	2/20 <b>Deep Dive: Diff. Emp. Conversations</b>		2/23 <b>Deep Dive: Hiring</b> <i>(Module 2 blogs due)</i>	Deep Dive reflections (X2)
	2/27 <b>Segway</b>		3/1 <b>(E-docs negotiation)</b>	
	3/6 <b>E-docs Debrief</b>		3/8 <b>Wily</b>	
Spring Break				
	3/20 <b>Les is More</b>		3/22 <b>Bettina's Board Walk</b>	
	3/27 <b>Evan Williams</b>		3/29 <b>Module Wrap-up</b> <i>(Module 3 blogs due)</i>	
	4/3 <b>Centralis Exercise</b>		4/5 <b>FD Founder Roundtables</b>	Roundtable reflections
	4/10 <b>FD Alumni Panel</b>		4/12 <b>Founding Nike</b>	
	4/17 <b>Rubbish Boys</b>		4/19 <b>KCC</b>	Poll: Modules 3&4 Feedback
	4/24 <b>Nantucket Exit</b> <i>(Module 4 blogs due)</i>		4/26 <b>Semester Wrap-up</b> <i>("Stretch Beyond Startups" blog due)</i>	

	Preparing Yourself to Found
	Building the Team: Cofounders and Hires
	Accelerating and Exiting: Investors and Successors
	Lessons from Outside Our Box
	End-of-semester activities

## **MODULE 1: PREPARING YOURSELF TO FOUND**

### **SESSION 1.1 | Career Decisions: “Career at a Crossroad”**

#### *Preparing Yourself to Found*

##### **Materials**

- Case: Career at a Crossroad: Akhil and Roopa

##### **Assignments**

1. Please read the short "Career at a Crossroad: Akhil and Roopa" case.
  - a. Which opportunity should Akhil accept, ELK or Cleanwatt? Why?
2. As is true of almost every session this semester, there is a pre-class poll to complete after you have prepared the case. The links to the polls are on Blackboard.
3. Please complete (1.) the "Your Career Experiences and Decisions" poll and (2.) "Personal Preferences" poll. I look forward to sharing the results with you!

NOTE: As we will have on a regular basis this semester, there are multiple optional post-class resources/links that will become available after today's class.

### **SESSION 1.2 | Part-time Founding: “Lucas’ Leap”**

#### *Preparing Yourself to Found*

##### **Materials and Assignments**

- Materials and assignment will be distributed in prior class.

NOTE: If you haven't already, please complete the "Your Career Experiences and Decisions" and "Personal Preferences Poll" polls listed posted under the prior class session.

### **SESSION 1.3 | Founding Within Your Industry: “Sheila Mason & Craig Shepherd”**

#### *Preparing Yourself to Found*

##### **Materials**

- Case: Mason & Shepard

##### **Assignments**

As Sheila Mason drove home from her job as vice president of sales and marketing at ATS, Inc., she thought about the upcoming late-night session to plan her new software startup. Along with software wiz Craig Shepherd, Mason was founding Intelisoft, which would develop a “translation engine” that would convert software programs from one operating system to another, saving companies considerable time and expense. At tonight’s meeting, Mason and Shepherd would resolve important issues about leaving their existing employers to actual start the business. Mason observed: “The prospect of leaving a good job is pretty scary, especially when this still seems so risky. But it is already feeling uncomfortable to be at ATS while I am working on this, and making progress is going to require us to be much more public about our ideas.”

Please note that the case is set in Virginia, where the laws may differ in important ways from California law. When you are preparing and discussing the case, please look at the issues through the lens of Virginia law. However, at the end of class, we will discuss the differences between California and Virginia.

1. Evaluate the situation in which Mason and Shepherd find themselves with respect to their existing employers. What legal and ethical issues do you see?
2. Do they need a lawyer? How should they select one?
3. What actions should Mason and Shepherd take in order to terminate their employment relationship with their current employers so they can build Intelisoft?

### **SESSION 1.4 | Switching Industries: “Curt Schilling’s Next Pitch”**

#### *Preparing Yourself to Found*

##### **Materials**

- Case: Curt Schilling's Next Pitch

### **Assignments**

As his major-league pitching career was starting to wind down in 2006, baseball all-star Curt Schilling decided to become an entrepreneur. Looking to focus his tenacity and his passion for online role-playing games on a new challenge, he founded an online gaming venture, which later became known as 38 Studios. During the venture's first two years, he built a team of 70 people, including an executive team of business and industry veterans, and learned key lessons about the challenges faced by industry-changing entrepreneurs. Wanting to self-fund the venture initially, and later finding it hard to raise outside money, he put a substantial percentage of his net worth on the line to build 38 Studios. Now he is facing a critical acquisition decision that could either double his problems or help solve them.

1. Does Curt Schilling have what it takes to eventually become an All-Star entrepreneur? Why?
2. If you're Jen Maclean and you've just decided to take the job at 38 Studios, what is your biggest worry? To address that worry, what ground rules would you negotiate with Curt?

**REMINDER:** Throughout the semester, you should choose 2 of our 4 modules (1 of the first 2 modules and 1 of the last 2 modules) to write FD Blog posts. If you will be blogging about an issue relevant to the "Preparing Yourself to Found" module, by the end of today's class you should have a good idea of what you'll cover in your blog.

### **SESSION 1.5 | Career Reflections and Discussion: "Careers Panel"**

#### *Preparing Yourself to Found*

#### **Materials**

- Poll: Careers Panel Preparation Poll
- After-class Poll: Career Panel Reflections Poll

#### **Assignments**

1. Please reflect on the career issues we have examined in this module.
2. Review the bios of our panelists (posted to Blackboard) and then complete the "Careers Panel Preparation" poll.
3. The day of the panel itself, please bring the "Burning Question" you submitted in the poll, and be ready to ask it if I call on you to do so.
4. After the panel, please complete the Career Reflections Poll about your biggest takeaway from the panel. I look forward to distributing your (anonymized) reflections!

#### **FD Blog assignments**

If you will be blogging about an issue relevant to this module, please post it by midnight tonight. One week from today, your comments on at least three classmates' blogs are due, whether or not you posted your own blog this module.

## **MODULE 2: Building the Team**

### **SESSION 2.1 | Relationships: "Family Matters at ProLab"**

#### *Building the Team*

#### **Materials**

- Case: Family Matters at ProLab
- Video: Brief interview with Hillary about her leadership style (see link on Blackboard)

#### **Assignments**

Hillary Mallow, founder and CEO of Professional Clinical Laboratories Inc. (ProLab), hung up the phone stunned by the news she had just received. Her accountant had called to tell her, "You're going to be out of business in the next couple of months if you don't make a change quickly." For Hillary, ProLab was everything: "If we don't pull the company out of this, not only will ProLab be sunk, but so will our families!" They needed to act quickly, but the problem was complicated both professionally and personally, and Hillary questioned whether she had what it would take to rescue ProLab. "How are we going to dig out of this mess? What should we do now?"

Please watch the video posted above, read the case, complete the pre-class poll and think about the following questions:

1. Was it a good idea for Hillary to involve her mother in the business? Why?
2. Was it a good idea for Hillary to involve her husband in the business? Why?
3. What should Hillary do now?

## **SESSION 2.2 | Attracting Cofounders: “Haute Hunte”**

### *Building the Team*

#### **Materials**

- Case: Haute Hunte: Pursuing the Big Trophy

#### **Assignments**

Vikram Kapoor has built Haute Hunte by attracting classmates as co-founders, learning how to pitch to top VC firms and potential strategic partners, and honing the concept and business model through beta testing. Now, he is facing the implications of the choices he has made in each of these areas and has to decide how to manage those implications.

1. Could Vikram have solo-founded his company like Barry Nalls did with Masergy? Why or why not?
2. Is this a good founding team? Why?
3. What are the pros and cons of Vikram's approach to splitting equity within the founding team?
4. Do you agree with Vikram's decision to target only the top-five VC firms? Why?
5. Should Vikram accept the current offer from Souchon? Why?

## **SESSION 2.3 | Division of Roles, Founder Persistence: “Savage Beast”**

### *Building the Team*

#### **Materials**

- Case: Savage Beast (A1)
- (Please note that there are two pre-class polls today, one to complete after reading through p. 8 of the case and one to complete after finishing the case.)

#### **Assignments**

For several months, things have been spiraling downwards at Savage Beast, the music-recommendation company started three years before by Tim Westergren. The company's founder-CEO recently left due to pressures both at home and within the venture, dozens of investors have turned thumbs-down on the venture, salaries have been cut, and tensions have risen within the founding team. Now Westergren, the founder who has taken over as CEO, is facing even deeper pressures as he finds out about a lawsuit filed by former employees, and he is wondering if it is time to give up on ever achieving his vision.

1. Is this a good founding team? How does it compare with the Haute team we studied last class?
2. How could you convince Jon not to quit from the venture?
3. When you are in the middle of a project (or even building a startup, if you have experienced that), how easy was it for you to tell whether your idea (and company) was a good one or whether you should quit building it?

## **SESSION 2.4 | Firsthand Experience with Equity Splits: “UpDown” Negotiation Exercise**

### *Building the Team*

#### **Materials**

- Case: Negotiating Equity Splits at UpDown
- Confidential role instructions (via Online tool): UpDown Negotiation Exercise
- Online tool: UpDown Negotiation Reporting Tool

#### **Assignments**

During class time you will get together with your UpDown team and conduct the equity-split negotiation. Before the negotiation, please complete the preparation steps below, including the Pre-negotiation Poll. After the negotiation, please complete the other steps below, including the remaining poll(s). During our next session, we will debrief your results and your experiences during the exercise.

**Please make sure that if you reach an agreement, it is one to which you can commit long-term (i.e., it is sustainable and robust).**

Have a good negotiation!

**STEP 1: INDIVIDUAL PREPARATION**

1. Read the Negotiating Equity Splits at UpDown "core" case.
2. Read your confidential role information (which is available within the Online tool) and prepare for the negotiation. (You should have been emailed individualized instructions for how to access the Online tool. If you did not receive that email, please contact me a.s.a.p.)
3. Fill out the "Pre-Negotiation Poll" before your group gets together to conduct the actual negotiation.
4. Please do NOT discuss this case or the exercise with other students before you do the actual negotiation.

**STEP 2: GROUP NEGOTIATION**

1. Negotiate with your group, wherever you want. **AS NOTED IN YOUR ROLE INSTRUCTIONS, PLEASE MAKE SURE TO REJECT ANY PROPOSED TERMS THAT DO NOT ACHIEVE THE CRITERIA IN YOUR SCORING SHEET** (e.g., do not accept a deal that gives you fewer points than your walkaway amount of points).
2. Please also make sure that the agreement you reach is sustainable and robust -- i.e., something to which you can commit for the long term.
3. Note that after the negotiation, we will be distributing a page listing everyone's individual results.

**STEP 3: AFTER THE NEGOTIATION**

1. Please complete the "Post-Negotiation Poll" by the end of this class session.
2. In addition, each team's "Michael" must complete a second ("Agreement Terms") poll by the end of this class session.
3. Please give feedback to your UpDown teammates about the negotiation -- e.g., for the next time they negotiate something similar, what they should Start / Stop / Keep doing.

**SESSION 2.5 | “UpDown” Negotiation Exercise: Debrief**

*Building the Team*

During this class session, we will discuss the UpDown team's challenges and your experiences negotiating equity splits. Please reflect on what you found surprising and any other insights that were sparked by the exercise.

**SESSION 2.6 | Founder Agreements: “Healthcraft” Exercise**

*Building the Team*

**Materials**

- Case: “Crafting Founder Agreements at Healthcraft”
- Technical note: Note on the Legal and Tax Implications of Founders' Equity Splits

**Assignments**

1. Read the "HealthCraft" case.
2. Get together with another student (or two) from your FD section and create a one-page founder agreement (in Microsoft Word) for the HealthCraft team. (For this exercise, you should coalesce the lessons you have learned throughout this module, so consider yourself a “best practices consultant” to the HealthCraft team.) The agreement should be one to which HealthCraft’s founders will be able to commit long-term (i.e., it should be sustainable and robust).
3. By the Saturday before class at 8 PM, one of you should email the Microsoft Word version of your agreement to me.
4. Be prepared to present (and defend) your agreement in class, if called on to do so.

NOTE: This exercise is focused on the business issues that you'll face when crafting a founding agreement. However, if you also want to understand some of the relevant legal and tax issues, please see the "Note on the Legal and Tax Implications of Founders' Equity Splits" that is in your course packet.

**SESSION 2.7 | Module Wrap-up for “Building the Team”**

*Building the Team*

**Materials**

- Poll: Case and Discussion Feedback #1

### **Assignments**

Preparation for "Building the Team" Module Wrap-up:

1. Please reflect on your biggest takeaways about founding teams and about yourself.
2. Please complete the "Case and Discussion Feedback #1" poll (so I can share results with you in class).

## **SESSION 2.8 | Deep Dive: Difficult Employee Conversations**

*Deep Dives*

### **Materials**

- Video: Summary of *Difficult Conversations* book (see link on Blackboard)
- Poll, for \*After\* the Workshop: Difficult Employee Conversations reflections poll

### **Assignments**

REMINDER: Class will meet in the Experiential Learning Center today. Please try to arrive at least 5 minutes early so we can make the most effective use of our time there.

1. Please watch the short *Difficult Conversations* video (posted on Blackboard).
2. By the night before class, I will email you your initial role assignment and the one-page background for it. Please prepare to "be" the person in the role. (If you don't receive your role by 9pm that night, please let me know.)
3. After our workshop, please complete the Reflections poll, providing your biggest new-and-important takeaway from the workshop.

## **SESSION 2.9 | Deep Dive: Hiring**

*Deep Dives*

### **Materials**

- Post: MBA Classcard - FD'14 student Nita Prasad
- Poll, for \*After\* the Workshop: Hiring Reflections Poll
- Video: Introduction to the Candidate

### **Assignments**

The Hiring Workshop discusses common hiring pitfalls and best recruiting strategies. Please think about the following questions:

1. What are the benefits of making great hiring decisions? What are the consequences of making bad hiring decisions? From your prior work experience, what are specific examples of each type of decision?
2. What are the most significant kinds of information you need in order to decide whether to hire a candidate? When interviewing a job candidate, what questions do you typically ask him or her in order to understand whether or not s/he will be a good fit for the role?
3. Please be ready to step into the role of interviewer, if asked to do so in class. You would be the founder of a fast-growing startup that has just raised its A-round of financing, is getting ready to scale and to Cross the Chasm, and wants to hire a VP of Human Resources to help the startup scale.
4. In class, we will watch excerpts from an interview of an FD'14 student. Please peruse her Classcard.
5. Compared to larger companies, what hiring issues are unique to start-ups? What specific things do you have to do to address those issues?

### **FD Blog assignments**

If you will be blogging about an issue relevant to this module, please post it by midnight tonight. One week from today, your comments on at least three classmates' blogs are due.

**MODULE 3: Accelerating and Exiting: Investors and Successors**

**SESSION 3.1 | Tradeoffs Beyond the Team: “Managing Segway’s Early Development”**

*Accelerating and Exiting: Investors and Successors*

**Materials**

- Case: Managing Segway's Early Development
- Video: Dean Kamen interview on 60 Minutes (see link on Blackboard)

**Assignments**

For eight years, Dean Kamen has been developing the technology that underlies Ginger, a self-balancing human transporter that he later renames the "Segway." Kamen has decided to spin off Ginger as a separate company, has hired the former president of Chrysler Europe as CEO, and has spent two years building the company. However, major tensions have developed between Kamen and Ginger's senior team, and the company is facing problems with getting the product to market.

1. Would you want to work for Dean Kamen?
2. Why did Dean decide to build a company to make and market Ginger, rather than following DEKA's standard model of out-licensing in exchange for royalties?
3. Has Dean done a good job getting Ginger/"Segway" off the ground?

**SESSION 3.2 | Negotiating with Investors: “e-docs” Negotiation Exercise**

*Accelerating and Exiting: Investors and Successors*

**Materials and Assignments**

- Coming soon...

**SESSION 3.3 | “e-docs” Negotiation Exercise: Debrief**

*Accelerating and Exiting: Investors and Successors*

During this class session, we will discuss your experiences during the e-docs negotiation and the broader implications for founder-investor dynamics. Please reflect on what you found surprising and any other insights that were sparked by the exercise.

**SESSION 3.4 | Founder-CEO Succession: “Founder-CEO Succession at Wily Technology”**

*Accelerating and Exiting: Investors and Successors*

**Materials**

- Case: Founder-CEO Succession: Founder-CEO Succession at Wily Technology

**Assignments**

Before he accepts the new CEO position, Richard Williams wants founder Lew Cirne to also step down as chairman of the board. While considering Williams' incredible demand, Cirne reflects on everything he has already given up to get Wily Technology to this point. He agreed to step down as CEO and take what could be a largely symbolic CTO title. He also agreed to give Williams roughly as much equity as he himself owned and far more in salary. As the founder, CEO, and chairman of Wily Technology, Cirne had worked hard to build the skills necessary to lead his start-up. He had developed Wily's early technology single-handedly, had hired 50 employees to help him build his company, and had successfully spearheaded a strategic transformation of his company. He had led Wily to the point where several important customers bought its flagship product and had successfully raised two rounds of financing from top investors. Cirne wonders what he could have done to be pushed to the side like this. What should he do now?

1. Has Lew Cirne been a good CEO so far? Why?
2. As Lew Cirne, why would Richard Williams want to replace you as Chairman?
3. As David Strohm, if Lew rejects Richard Williams' demand and threatens to leave Wily, what should you do?

### **SESSION 3.5 | Post-succession Issues: “Les is More, Times Four”**

*Accelerating and Exiting: Investors and Successors*

#### **Materials**

- Case: Les is More, Times Four

#### **Assignments**

"I've had enough! I've decided that I need to resign," read the email from the founder of Webpoint to the company's board of directors. Les Trachtman, the CEO of Webpoint, has to figure out how to react to the founder's "it's Trachtman or me" ultimatum. Webpoint was Trachtman's fourth job as CEO, and in each case he had been hired as the first non-founding CEO, taking over from the founder-CEO of a tight-knit founding team. Trachtman had first taken over from a mother and son team, then from two brothers, then from a wife and husband team, and now from serial co-founders who were best friends. From these ventures, Trachtman had learned how to manage founders who had strong relationships, but those experiences had not prepared him for the current situation.

1. What has Les Trachtman done well in each of the four ventures in which he has taken over from founder-CEOs? Done poorly in each venture?
2. What should Les do now?

### **SESSION 3.6 | Inside the Board of Directors: “Bettina’s Board Walk”**

*Accelerating and Exiting: Investors and Successors*

#### **Materials**

- Case: Pixability: Bettina's Board Walk
- Pre-class Video #1: Bettina's Pre-Meeting Comments
- Pre-class Video #2: Kicking Off the Board Meeting (first 3 1/2 minutes of the meeting)

#### **Assignments**

Please read the “Bettina’s Board Walk” case, watch the two videos posted above, and complete the pre-class poll.

Then put yourself in Bettina’s shoes and think about:

1. What are your goals for this board meeting? How will you know if you achieved them?
2. What is going through your mind as you walk into the meeting?
3. What are the most important things Bettina has done to prepare for the board meeting? Is there anything else Bettina should have done to prepare for it?

### **SESSION 3.7 | Choices Across Ventures: “Evan Williams: From Blogger to Odeo”**

*Accelerating and Exiting: Investors and Successors*

#### **Materials**

- Case: Evan Williams: From Blogger to Odeo
- Technical note: Term Sheet Negotiations: A "Rich-vs.-King" Approach
- Poll, for \*After\* this case discussion: FD: My Personal Preferences, 2nd Round

#### **Assignments**

1. Do you like how Evan built Blogger and Odeo?
2. Odeo's board now wants to shut down the company. How has Evan gotten into this mess?
3. As Evan heads into the board meeting, what are his options? What are the pros and cons of each option? What should Evan do now?

This case is our first real case about serial entrepreneurs. For later reference, please note now any important advantages or disadvantages that Evan faced as he founded and built his second real venture, Odeo.

**NOTE:** After this class, you will have a quick poll to complete.



### **SESSION 3.8 | Module Wrap-Up for “Accelerating and Exiting”**

*Accelerating and Exiting: Investors and Successors*

#### **Assignments**

1. I emailed you your answers to the Personal Preferences polls. Are there any patterns in your answers to the polls? Did your answers change between your pre-semester responses and your new responses? Why do you think that happened?
2. Please exchange your Personal Preferences survey answers with a classmate and discuss your reflections on any patterns you see in each other's answers.
3. Your VC firm has asked you to interview a first-time entrepreneur to figure out if s/he is more King-motivated or Rich-motivated. What's the most informative-yet-concise question you could ask that entrepreneur to begin figuring it out?

#### **FD Blog assignments**

If you will be blogging about an issue relevant to this module, please post it by midnight tonight. One week from today, your comments on at least three classmates' blogs are due.

## **MODULE 4: Lessons from Outside Our Box**

### **SESSION 4.1 | Module 4 Exercise: “Centralis”**

*Lessons from Outside Our Box*

#### **Materials and Assignment**

- Assignment will be distributed ahead of time in class

### **SESSION 4.2 | Immediate Application to Your Startups: “Founder Roundtables”**

*Lessons from Outside Our Box*

#### **Materials and Assignment**

Today we will focus on several FD students who are in the process of founding and building their own startups. I will distribute information about them, their startups, and the FD-related dilemmas for which they would love to get your input. I will ask you to rank your interest in each one and then assign you to one of the Founder Roundtables that will be conducted by one of those FD founders.

After the Roundtable, the post-class poll will collect your reflections and biggest takeaways from the Roundtable and your recommendations to the founders about the dilemmas they are facing.

### **SESSION 4.3 | FD Alumni Panel**

*Lessons from Outside Our Box*

#### **Materials**

- Post: FD Alum panel packet
- Poll: Alumni Panel Burning Questions Poll
- Poll, for \*After\* this panel: Reflections from FD Alum Panel Poll

#### **Assignments**

1. Please read the "FD Alum panel packet" and think about the following questions:
  - a. What seemed to be their motivations and values when they were in FD? Do they seem to have changed since then? What in their post-school experiences might have caused those changes?
  - b. What parts of their post-school career paths seem relevant to what you might do in the future?
2. Given what you read in the packet, by the night before class at 9pm, use the poll to submit your biggest Burning Question that you would want to ask them about their post-business-school journeys and lessons.
3. Please note that after the panel, you should submit your biggest takeaway from it via the other poll listed above. As before, I look forward to sharing the section's takeaways and reflections with you!

## **SESSION 4.4 | Evolution and Revolution: “Knight the King: The Founding of Nike”**

*Lessons from Outside Our Box*

### **Materials**

- Case: Knight the King: The Founding of Nike

### **Assignments**

It had taken Phil Knight sixteen long years to build Nike into the number one athletic-shoe company in the country. When Knight had first conceived of the company for an MBA class project, Adidas had had more than 80% market share, but Knight's marketing approach had revolutionized the industry, his company had developed several ground-breaking shoe technologies, and Nike's brand had become one of the most recognizable in the world. In 1980, the same year that Nike had knocked Adidas off its throne, Nike had gone public and Knight, its founder-CEO, still owned close to half of the company. He had led the company through dramatic changes as it evolved from a scrappy start-up to a large public company. However, now, barely half a decade later, Knight had just received the news that Nike itself had been dethroned by Reebok, an upstart competitor. Knight closeted himself in his office, faced the wall, and sat there, weak and sick and devastated for hours.

1. What were Phil Knight's best and worst early decisions as founder-CEO?
2. Was it a good idea for Nike to try to go public in 1970? To go public when it eventually did?
3. How could Knight have avoided the current crisis with Reebok?

## **SESSION 4.5 | Franchising: “Rubbish Boys”**

*Lessons from Outside Our Box*

### **Materials**

- Case: Rubbish Boys

### **Assignments**

It looked like founder-CEO Brian Scudamore might not be able to pursue franchising as a growth option for his junk-removal business after all. Over the years, he had overcome many hurdles, including buying out his "too-fierce" co-founder, firing all of his employees so he could start all over again when he became disillusioned with the company's developing culture, and failing at experimenting with student franchising to increase the rate of growth. Now looking to expand within North America, he had turned to a professional franchising model and had developed a new brand to help grow the business. Paul Guy, his first franchisee who was beginning his operations in Toronto, had just called. "Brian, my wife's relative just told me that I'm crazy to open here because the city picks up things for free. It's crazy to charge \$300 to pick something up when they can get the same service for free! We had never heard of that in Vancouver, but that's a big problem here!" Was Guy over-reacting, or had Scudamore made a major mistake in his growth strategy?

1. If you had one or two words with which to describe Brian Scudamore, what would they be?
2. What should Brian do now: Continue with the Toronto franchise, or drop the idea?
3. What was at stake in the negotiation between Brian and Paul Guy over the franchising agreement?
4. In particular, please focus on why the (A.) Indemnification, (B.) Territory size, (C.) Royalty rate, and (D.) Franchise fee terms are so contentious.

## **SESSION 4.6 | Exit Dilemmas: “KCC: Third Time’s the Charm?”**

*Lessons from Outside Our Box*

### **Material**

- Case: KCC: Third Time’s the Charm?

### **Assignment**

Eric Kurtzman and Jonathan Carson were lawyers doing bankruptcy work for established law firms when they saw the potential to tap technology to make dramatic improvements in the work they could perform for clients. In the eight years since cofounding KCC, they have built the company into a dominant competitor in the bankruptcy segment of the legal-services industry. Their current dance with a potential acquirer is their third

serious attempt at selling their startup to a larger company. However, the offer from the potential acquirer includes several terms that are giving them pause and they are trying to figure out whether to accept it.

1. Building the team: What surprised you the most about Jonathan and Eric's early team building decisions?
2. Board of directors: Jonathan and Eric explicitly avoided forming a board. Were there any downsides to doing that?
3. Exit lessons: What was the most important lesson that Jonathan and Eric learned from their unsuccessful 2003 and 2006 exit attempts? (It is not important to keep straight which lessons came from which attempt, just what lessons they have learned overall.)
4. Exit decision: Should they take the deal proposed at the end of the case? Why or why not?

## **SESSION 4.7 | Experiencing the Exit Dynamic: “Nantucket Nectars: The Exit”**

*Lessons from Outside Our Box*

### **Materials**

- Case: Nantucket Nectars: The Exit

### **Assignments**

The founders of Nantucket Nectars are trying to decide whether and how to sell their company.

1. Role-play preparation: Prepare to be a potential acquirer who is pitching Tom & Tom to accept your offer. The pitches will be done in pairs; please get together with someone else from your "company" to prepare your pitch ahead of time.
2. Given Tom & Tom's motivations, how could you convince them to sell their company to you?
3. How much would you offer for Nantucket Nectars? (Remember that you might have to defend your bid to your board of directors or your shareholders.)
4. Would you structure your bid as all-cash, all-earn-out, or a mix (25% cash / 75% earn-out, 50% cash / 50% earn-out, or 75% cash / 25% earn-out)?

### **FD Blog assignments**

If you will be blogging about an issue relevant to this module, please post it by midnight tonight. One week from today, your comments on at least three classmates' blogs are due.

## **SESSION 4.8 | Semester Wrap-Up**

*Semester Wrap-Up*

### **Materials**

- Poll: FD Case and Discussion Feedback Poll (2nd Half of Semester)

### **Assignments**

Please make sure to complete Feedback Poll #2.

Our Wrap-up Day will open with a top-ten list or two and other fun items, and close with some parting thoughts of my own.