



**USC Marshall**

School of Business  
*Lloyd Greif Center for  
Entrepreneurial Studies*

**BAEP 555 – Founder’s Dilemmas**

Syllabus – Spring 2019

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**Course Description**

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 key dilemmas that span the full lifecycle of a startup, 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 Noam Wasserman has collected on 15,000 founders over the last 17 years.

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

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

**Learning Objectives**

After taking this course, the student will 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

To achieve these objectives, participation in exercises and case discussions will be required.

**Required Materials**

Required materials include the following:

- **Course Reader:** Available through the Harvard Business School Publishing site. Please see Blackboard for a direct URL to our course reader on the HBSP site. To purchase, you will first have to register and log in. If

you need assistance, contact Harvard Business Publishing Tech Help directly (1-800-810-8858 or [techhelp@hbsp.harvard.edu](mailto:techhelp@hbsp.harvard.edu), 8 AM - 8 PM ET on Mondays - Thursdays and 8 AM - 7 PM ET on Fridays).

- Please note that according to the HBSP terms, it is illegal for students to share course readers.  
**Each student must buy his or her own.**

- **Additional Readings:** We will assign additional readings and cases throughout the semester. These will be posted to Blackboard or distributed in class.

**If you remain enrolled in this class, it is assumed to mean that you have read and understood this syllabus. By enrolling, you promise to uphold the policies and guidelines detailed herein and agree to complete all required coursework, including high quality in-class participation.**

### **Typical 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 Notes**

#### **Course Communication**

Course communication will take place through announcements in class, announcements on Blackboard ([blackboard.usc.edu](http://blackboard.usc.edu)), and emails sent through Blackboard. It is imperative that you have a fully operational Blackboard account with a current and correct USC email address posted. By default, Blackboard uses your USC email address ([username@usc.edu](mailto:username@usc.edu)) for sending emails; if this is not your primary email account, make sure to forward your USC email to the account you use. (Note: Some students' USC email quota fills by the end of each semester, causing class emails to bounce; remember to manage your account to ensure receipt of late-semester communication!)

**You are responsible for ensuring that you receive and read class messages in a timely fashion.**

#### **Posted Materials**

Class materials will often be posted to Blackboard for your reference. However, the vast majority of the material for which you are responsible will come through case studies, class discussions, experiential exercises, online blog dialogues, and occasional, interactive lectures. Students are strongly encouraged to take independent notes for review.

## **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.

**We 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, we 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, we email feedback to the best contributor or contributors. In the middle of the semester, we 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 us early in the semester.**

If you must be absent from class, please notify us by **completing the Absence Poll** for that day before 10am so we can plan accordingly (e.g., so we 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.

### **Case Preparation Teams**

To help you be well-prepared to participate in class, we will assign each student to a case-preparation team for the first module of the course. After preparing the material yourself, you are expected to **meet with your case-preparation team before each class** (on average, for about 30 minutes per case or exercise). The most effective teams spend their time beta testing their best (or most radical) ideas on their teammates, getting feedback on analyses of the case, hearing other views, incorporating them into their thinking, road-testing the actions to take if you were the case protagonist, and pushing back on each other to improve the thinking and potential contributions.

## **No laptops or other electronics in class**

To help you focus on our discussions and participate as fully as possible in them, unless you are directed otherwise by us (e.g., for an exercise during which you need to complete surveys), we will be a low-tech classroom. Please bring printed copies of any cases or materials you prepared and take notes on paper.

## **ASSIGNMENTS AND GRADING DETAIL**

Below are the components of your overall course grade. Detailed instructions for each of these (with the exception of Participation, which is described earlier in the syllabus) are provided in “Assignment Submission & Details” section. (Note that some components are comprised of multiple parts and may include several due dates.)

- **Class Participation:** See earlier discussion.
- **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. These polls should be **submitted by 10am** on the day of class. Links to all pre-class polls will be available on Blackboard. Polls will vary in length, and can be extensive; you should complete your class preparation so you can effectively answer the poll questions. The polls give you a chance to demonstrate your understanding of the material, and the questions asked in the polls (and your answers to them) will play a central role in the teaching plan for that day. In addition, some days you will also complete a post-class poll relevant to the core of that class’s learning.
- **Blogs:** 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 placed on identifying lessons that are both (1) surprising/new, and (2) important. **The blog assignments are described in detail below.**
- **Blog Comments:** One week after each blog’s deadline, you are expected to provide comments on three classmates’ blog posts. 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. **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.
- **Case Final Exam:** 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. **NOTE: 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.

ASSIGNMENTS	% OF GRADE
Class Participation	<u>15%</u>
Pre-Class and Post-class Polls	<u>20%</u>
<b>Module Blogs (due midnight of last class session of each module)</b>	<b><u>20%</u></b>
Module Blog 1 (for 1 of our <i>first</i> 2 modules, ≤ 400 words, due at end of relevant module)	10%
Module Blog 2 (for 1 of our <i>last</i> 2 modules, ≤ 400 words, due at end of relevant module)	10%
<b>Module Blog Comments (due one week after end of each module)</b>	<b><u>5%</u></b>
Comments 1 (on at least 3 classmates' 1 <sup>st</sup> module blogs, ≤ 250 words each)	1.25%
Comments 2 (on at least 3 classmates' 2 <sup>nd</sup> module blogs, ≤ 250 words each)	1.25%
Comments 3 (on at least 3 classmates' 3 <sup>rd</sup> module blogs, ≤ 250 words each)	1.25%
Comments 4 (on at least 3 classmates' 4 <sup>th</sup> module blogs, ≤ 250 words each)	1.25%
<b>"Stretch Beyond Startups" (SBS) Blog and Comments</b>	<b><u>15%</u></b>
"SBS" Blog (≤ 400 words)	12%
"SBS" Blog Comments (on at least 3 classmates' SBS blogs, ≤ 250 words each)	3%
<b>Case Final Exam</b>	<b><u>25%</u></b>
<b>TOTAL*</b>	<b>100%</b>

### Assignment Submission & Details

Every class session includes some kind of submissions (written assignment, blog or blog comments, and/or pre-class poll). **If you haven't submitted anything for a session, please double-check that day's assignment and Blackboard entries!**

All written and blogging assignments should follow the **word limits** listed in this syllabus. Further details for individual assignments or assignment categories are provided below.

### Late Policy

Pre-class polls will close at (i.e., not be available after) the submission deadline, so they cannot be submitted late.

Other assignments (e.g., blogs) will be accepted after the deadline with the following grade penalties. Please do not ask for extensions; the below *are* extensions.

- Submission in the 24 hours after the deadline 25% deduction
- Submission between 24 and 48 hours after the deadline 50% deduction
- Submission more than 48 hours after the deadline 100% deduction

"I love deadlines. I like the whooshing sound they make as they fly by." Douglas Adams ☺

**Keep copies of all your files and emails until the end of the semester.**

### Final Grades

Final grades represent how you perform in the class relative to other students. We expect the average grade for class to be consistent with the Marshall standard for this type of course. Your final grade will be assigned based on (1) your total points from the various assignments and other evaluated course components, as a percentage of all available points; (2) the overall average percentage score within the class; and (3) your ranking among all students in the class.

If you have any questions about your grade during the semester, please make an appointment to see me to discuss your concerns. Please do not wait until the end of the semester to do so.

## Blogs and Blog Comments

Each student will be required to **write three short blog posts** and to **comment on classmates' blog posts**. (NOTE: To enable you to surface and discuss sensitive issues if doing so will be helpful for your learning, 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 Dilemmas (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, we 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. 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.

### **Evaluation of Your Work**

In this syllabus, we have done our best to make our expectations for the various assignments clear, and will evaluate them as fairly and objectively as we can. If you feel that any assignment is unclear, please let us know! If you feel that an error has occurred in the grading of any assignment, you may, within one week of the date that you receive feedback on the assignment, write us a memo in which you request that we re-evaluate the assignment. Attach the original assignment to the memo, in which you explain fully and carefully why you think the assignment should be re-graded. Be aware that the re-evaluation process can result in three types of grade adjustments: positive, none, or negative. (Note: Complaints on the date of a graded assignment’s return to you will not be addressed.)

## **ADDITIONAL INFORMATION**

### **Add/Drop Process**

If you fail to attend either of the first two sessions of the semester, without providing advance notification to the instructor, you will be dropped from this course. This policy is in place because this class is over-subscribed, with limited seating; it is imperative that students waiting to get into the class can fill empty seats in a timely manner, without risk of falling behind. (Please note: If you decide to drop, or if you are dropped, you risk not being able to add yourself to another section this semester. You can only add a class after the first week of classes if you receive approval from the instructor.)

In compliance with USC and Marshall’s policies, classes are open enrollment (R-clearance) through the first week of class. All classes are closed (switched to D-clearance) at the end of the first week. This policy minimizes the complexity of the registration process for students by standardizing across classes.

If you might withdraw from the course, please make sure you know the deadlines for withdrawing without a mark of “W” on your transcript and with a mark of “W” on your transcript.

If you are absent two or more times prior to the last day you can withdraw from the course with a grade of “W” (especially if one or more of those absences are not reported using the Absence poll), we may ask you to withdraw from the class by that date.

### **Retention of Graded Coursework**

Final papers and all other graded work which affect the course grade will be retained for one year after the end of the course *if* the graded work has not been returned to you (i.e., if we returned a graded paper to you, it is your responsibility to file it, not ours).

### **Lloyd Greif Center for Entrepreneurial Studies Confidentiality Policy**

Throughout the Entrepreneur Program's classes and events, students will be exposed to proprietary information from other students, guest lecturers, and faculty. It is the policy of the Entrepreneur Program that all such information is to be treated as confidential.

By enrolling in and taking part in the Entrepreneur Program'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 utilize 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 Program.

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

The Entrepreneur program, the Marshall School of Business, and the University of Southern California disclaim any responsibility for the protection of intellectual property of students, guest lecturers or faculty who are involved in Entrepreneur Program classes or events. Receipt of this policy and registration in our classes are evidence that you understand this policy and will abide by it.

### **Technology Policy**

Laptop, tablet, and Internet usage are not permitted during academic or professional sessions unless otherwise stated by the professor. Use of other personal communication devices such as mobile phones is considered unprofessional and is not permitted during academic or professional sessions. ANY web-enabled devices (e.g., laptops, tablets, smartphones) must be completely turned off during class time. You might also be asked to deposit your devices in a designated area in the classroom. Videotaping of faculty lectures is not permitted due to copyright infringement regulations. Audiotaping may be permitted ONLY if approved by the professor. Use of any recorded material is reserved exclusively for USC Marshall students. [See Class Notes Policy, below, for further details.]

### **Academic Integrity and Conduct**

USC seeks to maintain an optimal learning environment. General principles of academic honesty include the concept of respect for the intellectual property of others, the expectation that individual work will be submitted unless otherwise allowed by an instructor, and the obligations both to protect one's own academic work from misuse by others as well as to avoid using another's work as one's own (plagiarism). Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. All students are expected to understand and abide by the principles discussed in the *SCampus*, the Student Guidebook ([www.usc.edu/scampus](http://www.usc.edu/scampus) or <http://scampus.usc.edu>). A discussion of plagiarism appears in the University Student Conduct Code (Section 11.00 and Appendix Z).

Students will be referred to the Office of Student Judicial Affairs and Community Standards for further review, should there be any suspicion of academic dishonesty. The Review process can be found at: <http://www.usc.edu/student->



[affairs/SJACS/](#). Failure to adhere to the academic conduct standards set forth by these guidelines and our programs will not be tolerated by the USC Marshall community and can lead to dismissal.

**Please be advised that your assignments will be submitted through “Turnitin” in Blackboard, which will generate an originality report on your paper.**

Your original thought, in addition to carefully cited sources, will ensure that you don’t run into academic integrity issues that may affect your grade or your status at USC. Any material cited verbatim from its source should be in quotes and contain a reference to a full citation for that source. Paraphrased work should also clearly cite the source material.

Discrimination, sexual assault, and harassment are not tolerated by the university. You are encouraged to report any incidents to the *Office of Equity and Diversity* (<http://equity.usc.edu/>) or to the *Department of Public Safety* (<http://capsnet.usc.edu/department/department-public-safety/online-forms/contact-us/>). This is important for the safety of the whole USC community. Another member of the university community – such as a friend, classmate, advisor, or faculty member – can help initiate the report or can initiate the report on behalf of another person. *The Center for Women and Men* (<http://engemannshc.usc.edu/cwm/>) provides 24/7 confidential support, and the sexual assault resource center webpage (<https://sarc.usc.edu/reporting-options/>) describes reporting options and other resources.

### **Class Notes Policy**

Notes or recordings made by students based on a university class or lecture may only be made for purposes of individual or group study, or for other non-commercial purposes that reasonably arise from the student’s membership in the class or attendance at the university. This restriction also applies to any information distributed, disseminated or in any way displayed for use in relationship to the class, whether obtained in class, via email or otherwise on the Internet, or via any other medium. Actions in violation of this policy constitute a violation of the Student Conduct Code, and may subject an individual or entity to university discipline and/or legal proceedings. Again, it is a violation of USC’s Academic Integrity Policies to share course materials with others without permission from the instructor.

**No recording and copyright notice.** No student may record any lecture, class discussion or meeting with either of us without prior express written permission. The word “record” or the act of recording includes, but is not limited to, any and all means by which sound or visual images can be stored, duplicated or retransmitted whether by an electro-mechanical, analog, digital, wire, electronic or other device or any other means of signal encoding. We reserve all rights, including copyright, to our lectures, course syllabi and related materials, including summaries, PowerPoints, prior exams, answer keys, and all supplementary course materials available to the students enrolled in our class whether posted on Blackboard or otherwise. They may not be reproduced, distributed, copied, or disseminated in any media or in any form, including but not limited to all course note-sharing websites.

### **Support Systems**

Students whose primary language is not English should check with the *American Language Institute* (<http://dornsife.usc.edu/ali>), which sponsors courses and workshops specifically for international students. *The Office of Disability Services and Programs* ([www.usc.edu/disability](http://www.usc.edu/disability)) provides certification for students with disabilities and helps with the relevant accommodations. If an officially declared emergency makes travel to campus infeasible, *USC Emergency Information* (<http://emergency.usc.edu/>) will provide safety and other updates, including ways in which instruction will be continued by means of Blackboard, teleconferencing, and other technologies.

### **Students with Disabilities**

The Office of Disability Services and Programs ([www.usc.edu/disability](http://www.usc.edu/disability)) 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 as

early in the semester as possible. DSP is located in GFS (Grace Ford Salvatori Hall) 120 and is open 8:30 a.m. to 5:00 p.m., Monday through Friday. The phone number for DSP is (213) 740-0776. Email: [ability@usc.edu](mailto:ability@usc.edu).

**Emergency Preparedness/Course Continuity**

In case of a declared emergency if travel to campus is not feasible, the *USC Emergency Information* web site (<http://emergency.usc.edu>) will provide safety and other information, including electronic means by which instructors will conduct class using a combination of Blackboard, teleconferencing, and other technologies.

USC executive leadership will announce an electronic way for instructors to teach students in their residence halls or homes using a combination of Blackboard, teleconferencing, and other technologies.

Please make sure you can access this course in Blackboard and retrieve the course syllabus and other course materials electronically. You should check Blackboard regularly for announcements and new materials. In the event of an emergency, the ability to access Blackboard will be crucial. USC's Blackboard learning management system and support information is available at [blackboard.usc.edu](http://blackboard.usc.edu).

**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>First Half of Session</i>		<i>Second Half of Session</i>	<i>Additional polls</i>
	1/10 <b>Intro and Crossroad</b>		<b>Lucas' Leaps</b>	Background poll, Personal Pref's
	1/17 <b>Mason &amp; Shepherd</b>		<b>Curt Schilling</b>	
	1/24 <b>Careers Panel</b> <i>(Module 1 blogs due)</i>		<b>ProLab</b>	
	1/31 <b>Haute Hunte</b>		<b>Savage Beast</b>	
	2/7 <b>(UpDown negotiation)</b>		<b>UpDown Debrief</b>	
	2/14 <b>HealthCraft Exercise</b>		<b>Module Wrap-up</b>	Poll: Modules 1&2 Feedback
	2/21 <b>Deep Dive: Diff. Emp. Conversations</b>		<b>Deep Dive: Hiring</b> <i>(Module 2 blogs due)</i>	Deep Dive reflections (X2)
	2/28 <b>Segway</b>		<b>Wily</b>	
	3/7 <b>Les is More</b>		<b>Bettina's Board Walk</b>	
Spring Break				
	3/21 <b>Evan Williams</b>		<b>(E-docs negotiation)</b>	
	3/28 <b>E-docs Debrief</b>		<b>Module Wrap-up</b> <i>(Module 3 blogs due)</i>	
	4/4 <b>FD Alumni Panel</b>		<b>Centralis Exercise</b>	
	4/11 <b>Founding Nike</b>		<b>Rubbish Boys</b>	
	4/18 <b>KCC</b>		<b>Nantucket Exit</b> <i>(Module 4 blogs due)</i>	Poll: Modules 3&4 Feedback
	4/25 <b>Semester Wrap-up</b> <i>("Stretch Beyond Startups" blog due)</i>		<b>FD Founder Roundtables</b>	Roundtable reflections

- 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 | Early 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. We 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’ Leaps”**

*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" poll and the "Personal Preferences Poll" poll that were 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.”

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 we call on you to do so.
4. After the panel, please complete the Career Reflections Poll about your biggest takeaway from the panel. We 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. Please complete the Pre-Negotiation Poll by our usual 10am deadline, in case you'll need help accessing it.
4. Please do NOT discuss this case or the exercise with other students before you do the actual negotiation.

If you are having trouble accessing the UpDown tool, go to <https://cb.hbsp.harvard.edu/cbmp/login> and log in. Click on the FD coursepack on the left side. In the coursepack, find the UpDown role play and click on Run Role Play. See below for an illustration.



## 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).
  - Before you negotiate, make sure that all team members have completed the Pre-Negotiation Poll. Otherwise, you will not be able to access the Post-negotiation and Agreement Terms polls after you negotiate.
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. After completing the polls, please reconvene to 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 above before 7:30am (so we 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.
2. By the night before class, we 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 | 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 3.3 | 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 3.4 | 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 3.5 | Choices Across Ventures: "Evan Williams: From Blogger to Odeo"

*Accelerating and Exiting: Investors and Successors*

### Materials

- Case: Evan Williams: From Blogger to Odeo
- 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 3.6 | Negotiating with Investors: “Edocs” Negotiation Exercise**

*Accelerating and Exiting: Investors and Successors*

#### **Materials and Assignments**

- Case: Edocs, Inc. (A) *[with optional spreadsheet provided]*
- Role instructions (to be distributed before class)
- Note: A Rich-vs.-King View of Term Sheet Negotiations

#### **Assignments**

Kevin Laracey is the founder of Edocs, a Los Angeles startup that is revolutionizing online billing. He and the Edocs team have just received a term sheet from Jonathan Guerster, a venture capitalist at the prominent VC firm Charles River Ventures (CRV). Should they accept the term sheet’s \$4m investment, or should they push back on any of the terms in it? If they should push back, which specific terms should they try to improve, and what would be the most effective way to improve them? Should they seek a second term sheet from another investor?

In this negotiation exercise, you will be assigned to the role of Laracey (for most people, teamed up with a classmate) or the role of Guerster (teamed up with a classmate). During this class session, you should meet to negotiate the term sheet and see if you can reach an agreement on the terms of the investment. After the negotiation, one member of the Laracey team should complete the Post-Negotiation poll about whether you reached an agreement and what the core terms of the agreement were.

After you complete the exercise, please give feedback to your negotiation teammates about the negotiation -- e.g., for the next time they negotiate something similar, what they should Start / Stop / Keep doing.

### **Session 3.7 | “Edocs” Negotiation Exercise: Debrief**

*Accelerating and Exiting: Investors and Successors*

During this class session, we will discuss your experiences during the Edocs 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. After class, please submit your biggest takeaway via the Edocs Reflection poll.

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

*Accelerating and Exiting: Investors and Successors*

#### **Assignments**

1. We 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 | 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, we look forward to sharing the section's takeaways and reflections with you!

### **Session 4.2 | Module 4 Exercise: "Centralis"**

*Lessons from Outside Our Box*

#### **Materials and Assignment**

- Assignment will be distributed ahead of time in class

### **Session 4.3 | 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 4.4 | 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-fiery" 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 4.5 | Exit Dilemmas: “KCC: Third Time’s the Charm?”**

*Lessons from Outside Our Box*

### **Materials**

- Case: KCC: Third Time’s the Charm?

### **Assignments**

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 4.6 | 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 4.7 | 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 and other fun items, and close with some parting thoughts of our own.

## Session 4.8 | Capstone: "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. We will distribute information about them, their startups, and the FD-related dilemmas for which they would love to get your input. We 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.