



**BAEP-455:
FOUNDER'S DILEMMAS: ANTICIPATE AND AVOID STARTUP PITFALLS
Spring 2020**

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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 critical dilemmas that span the lifecycle of a venture, 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 of 15,000 founders.

Preparation for class: 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).

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., venture capitalists), 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.

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.
- **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, if relevant, into your blog posts and your final exam.
- **Additional readings** and/or cases may be assigned throughout the semester. These additional readings and cases will be posted to Blackboard or 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.

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, **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. Participation grading will be based on your in-class contributions to our learning. In general, the best class participation will be when you are **highly engaged** in and **well-prepared** for each session; you **contribute new, important, and relevant insights** on a regular basis; and you **draw from relevant personal experience**. If you are unable to participate for any reason, **please make sure to consult me early in the semester**.

Please note that there are **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 me (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.

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. Deadline is always 8am on the morning of class.

Blogs and Blog Comments

Each student will write a blog post about one module of the class, in which you reflect on specific topics related to that portion of the class. The blog should be written in the week of the last session of the module and posted before Sunday at midnight. Emphasis is placed on identifying lessons that are both (1) surprising/new, and (2) important. Before the end of the semester, you are expected to provide comments on three classmates' blog posts.

You should blog about any relevant issue to which you can add insights and about which you are passionate. In case it is 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).

Each of your blog posts should be a **maximum of 400 words**. One week after each blog's deadline, your **comments on three classmates' blog posts** are due. 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**.

Final Exam: Case Study

For the course's final, you will be given a case study 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.

The final will be at the time listed at <https://classes.usc.edu/term-20191/finals/>. Please upload your result to Blackboard before the deadline.

Summary of Grading Elements

	% of Overall Grade
Class Participation	20%
Pre-class and Post-class Polls	20%
1 Module Blog	15%
3 Blog Comments	15%
Case Final Exam	30%
Total	100%

Assignment Submission Policy

- Unless noted, pre-class assignments (e.g., polls) should be **submitted by 8am** 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 (blogs and blog comments) 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.
 - "I love deadlines. I like the whooshing sound they make as they fly by." Douglas Adams ☺

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.

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.

USC STATEMENT ON ACADEMIC CONDUCT AND SUPPORT SYSTEMS

Academic Conduct:

Students are expected to make themselves aware of and abide by the University community’s standards of behavior as articulated in the [Student Conduct Code](#). 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. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, “Behavior Violating University Standards” <https://policy.usc.edu/scampus-part-b/>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

Support Systems:

Counseling and Mental Health - (213) 740-9355 – 24/7 on call
studenthealth.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention and Services (RSVP) - (213) 740-9355(WELL), press “0” after hours – 24/7 on call

studenthealth.usc.edu/sexual-assault

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Campus Support & Intervention (CSI) - (213) 740-0411

<https://campussupport.usc.edu/>

A team of professionals here to assist students, faculty, and staff in navigating complex issues. Whether you are here seeking support for yourself or someone else, we are available to help you problem solve, understand options, and connect with resources. Please note that we are not an emergency resource and are not available 24/7.

Office of Equity and Diversity (OED)- (213) 740-5086 | Title IX – (213) 821-8298

equity.usc.edu, titleix.usc.edu

Information about how to get help or help someone affected by harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following *protected characteristics*: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations. The university also prohibits sexual assault, non-consensual sexual contact, sexual misconduct, intimate partner violence, stalking, malicious dissuasion, retaliation, and violation of interim measures.

Reporting Incidents of Bias or Harassment - (213) 740-5086 or (213) 821-8298

usc-advocate.symplicity.com/care_report

Avenue to report incidents of bias, hate crimes, and microaggressions to the Office of Equity and Diversity |Title IX for appropriate investigation, supportive measures, and response.

The Office of Disability Services and Programs - (213) 740-0776

dsp.usc.edu

Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

USC Support and Advocacy - (213) 821-4710

uscsa.usc.edu

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

Diversity at USC - (213) 740-2101

diversity.usc.edu

Information on events, programs and training, the Provost's Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call

dps.usc.edu, emergency.usc.edu

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call

dps.usc.edu

Non-emergency assistance or information.

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). 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.

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 USC's Blackboard learning management system (blackboard.usc.edu), teleconferencing, and other technologies.

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>Thursday</i>	<i>Additional polls</i>
1/14 Intro and Crossroads		1/16 Lovepop	Background poll, Personal Pref's
1/21 Mason & Shepherd		1/23 Curt Schilling	
1/28 R&R		1/30 Airbnb, Etsy, Uber (II)	
2/4 Investing in Online Marketplaces		2/6 Jumia: The Amazon of Africa	
2/11 ProLab		2/13 Haute Hunte	
2/18 Savage Beast		2/20 Ockham Technologies	
2/25 Diff. Employee Conversations		2/27 Hiring Workshop	Workshop reflection (2X)
3/3 (UpDown Negotiation)		3/5 UpDown Debrief	
3/10 Wrap Up Module 1+2		3/12 (HealthCraft Exercise)	Module 1&2 feedback poll
Spring Break			
3/24 Wily		3/26 Les is More	
3/31 (E-docs negotiation)		4/2 E-docs Debrief	
4/7 Bettina's Board Walk		4/9 Bolt	
4/14 Founding Nike		4/16 Rubbish Boys	
4/21 KCC		4/23 Centralis Exercise	
4/28 Nantucket Exit		4/30 Semester Wrap-up	Modules 3&4 feedback

	Preparing Yourself to Found
	Building the Team: Cofounders and Hires
	Accelerating: Investors and Successors
	Growth and Exit

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.

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 | Bootstrap or Accelerate: “Lovepop”

Preparing Yourself to Found

Materials

- Case: Lovepop
- “Your Career Experiences and Decisions” and “Personal Preferences” Poll

Assignment

As they prepare to graduate from Harvard Business School, the co-founders of greeting card company startup Lovepop need capital to cover the company's operating costs and must choose between two seed financing offers. One offer is from an angel group and the other from a startup accelerator. Having bootstrapped the company's operations since its founding a year and a half earlier, the founders must weigh the differences of the offers and pros and cons of the accelerator program to determine which option is appropriate for Lovepop at this stage. The case details the terms, offerings, and operations of startup accelerators.

NOTE: If you have missed this class, please complete the "Your Career Experiences and Decisions" and "Personal Preferences Poll" polls posted on Blackboard.

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 | The Entrepreneurial Process: “R&R”

Preparing Yourself to Found

Materials

- Case: R&R

Assignments

Bob Reiss, a serial entrepreneur and owner of R&R, a sales rep company, contemplates pursuing an entrepreneurial opportunity in the Trivia Game business. The case will be our starting point to discuss the alignment between entrepreneur and opportunity.

1. Which factors created an opportunity for Bob Reiss and the TV Guide Trivia Game? What about Bob Reiss positions him well for this opportunity?
2. Try to create a rough income statement for Reiss’ venture. How much money did he make?
3. What risks and obstacles had to be overcome in order to pursue the opportunity successfully? How did Bob accomplish this? Who bore the risks of the venture?
4. What exactly is entrepreneurial about Bob Reiss? What does this suggest for you about what entrepreneurship is?

SESSION 1.6 | Understanding the Platform Business: “Airbnb, Etsy, Uber: Growing from One Thousand to One Million Customers”

Preparing Yourself to Found

Materials

- Case: Airbnb, Etsy, Uber: Growing from One Thousand to One Million Customers

Assignments

By 2016, online two-sided platforms (or marketplaces) were among the fastest-growing internet startups in existence. These marketplaces sought to match suppliers of assets for rent, physical products, or services with customers demanding them. Among the most notable platforms that quickly reached one million customers were Airbnb, Etsy, and Uber. While they reached a thousand customers swiftly, the entrepreneurs behind these platforms now wondered how they should ride the next level of growth, going from a thousand to a million customers? How should they change their acquisition tactics to reach this next level of scale?

1. Which challenges do Airbnb, Etsy and Uber have to overcome to grow beyond the first 1,000 customers?
2. The hardest decision faced by any growing startup is when to abandon the actions that made it successful in the first place. How did strategies from the early days have to change to reach scale?

SESSION 1.7 | Business Model Due Diligence: “Investing in Online Marketplaces”

Preparing Yourself to Found

Materials

- Case: Investing in Online Marketplaces

Assignments

Simon Rothman, the Greylock partner in charge of a \$100 million fund, was considering five food delivery startups as investment options. An early eBay employee, Rothman had founded eBay Motors and turned it into a multi-billion dollar vertical. As a newly appointed partner at well-known venture capital firm Greylock, Rothman had zeroed in on the food delivery space, which he viewed as ripe for disruption. The five investment options he was considering – EatStreet, Postmates, Sprig, Kitchensurfing, and Plated – encompassed a variety of business models.

1. As an investor looking at online food delivery start-ups, what makes this an attractive space to invest in? What would be your major concerns?
2. Which of the five investment opportunities described in the case should Simon Rothman pursue? Please come prepared to justify your chosen option.
3. For your chosen option, what are its key sources of competitive advantage? Why is it better than the other options?

SESSION 1.8 | Business Model Choices: “Jumia: The Amazon of Africa”

Preparing Yourself to Found

Materials

- Case: Jumia: The Amazon of Africa

Assignments

In January 2016, having spent four years successfully operating one of the largest and fastest-growing Nigerian online retailers, Jumia’s board has determined that the company must shift away from its original retail model to become a pure online marketplace, similar to Amazon Marketplace in the U.S. and Alibaba in China. Failure to properly implement this transition could mean the end of investor support for Jumia. The company’s leadership

in Lagos remains unconvinced that this is the right move in Nigeria at this time, but is nevertheless gearing up to face the challenge head-on.

1. What does it take to build an e-commerce business in Nigeria?
2. How would you evaluate the Jumia Board's decision to shift from an online retail model to a marketplace model? Is it the right decision at this time? Why or why not? What do you expect will be the main challenges when implementing the new business model?
3. What is Jumia's path to profitability? Would you invest in this company? Why or why not?

FD Blog assignments

If you will be blogging about an issue relevant to this module, please post it by Sunday at midnight.

MODULE 2: Building the Team: Cofounders and Hires

SESSION 2.1 | Relationships: "Family Matters at ProLab"

Building the Team

Materials

- Case: Family Matters at ProLab

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 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? 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 | Managing Founding Teams: "Ockham Technologies"

Building the Team

Materials

- Case: Ockham Technologies

Assignments

Ockham Technologies is a young Atlanta company that has met with a lot of early success and is now on the verge of raising its first round of financing on attractive terms. One of the initial two founders decided not to join the company; Jim Triandiflou, the case protagonist and the remaining founder, teamed up with Mike Meisenheimer, a former colleague, to start the company. To fill a hole in the team, they tapped Ron Hardin, who worked for Flex Solutions, a technology firm to which Ockham outsourced the development of its initial prototype. However, when Jim and Mike lost confidence in Ron and his development team, they ended their relationship with Flex Solutions and began exploring other options for getting the system developed. At the same time, they began raising their first round of outside financing and are now faced with two financing options that differ considerably in their effect on the composition of the board and in the attractiveness of their financial terms.

1. What is your assessment of the job Jim Triandiflou has done getting started and assembling key human resources?
2. If you were Jim Triandiflou, how would you handle the increasing tension between you and Mike Meisenheimer?
3. Should Ockham outsource its system-development efforts? If yes, to which company? If no, how should it complete development of the system for IBM?
4. What board-related factors should Triandiflou consider when deciding which financing offer to accept?

SESSION 2.5 | Difficult Employee Conversations

Building the Team

Materials

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

Assignments

1. 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.
2. After our workshop, please complete the Reflections poll, providing your biggest new-and-important takeaway from the workshop.

SESSION 2.6 | Deep Dive: Hiring

Building the Team

Materials

- Poll, for *After* the Workshop: Hiring Reflections Poll

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 wants to hire a VP of Human Resources.
4. Compared to larger companies, what hiring issues are unique to start-ups? What specific things do you have to do to address those issues?

SESSION 2.7 | 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

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 post-negotiation poll. 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 and prepare for the negotiation.
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 8am deadline.
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).
 - Before you negotiate, make sure that all team members have completed the Pre-Negotiation Poll.
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.

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 2.8 | “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 2.9 | 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.

SESSION 2.10 | 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 your self-formed team 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. Please submit your agreement on Blackboard and make sure to include the names of all team mates on the first page. Deadline is Sunday at midnight.
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.

MODULE 3: Accelerating: Investors and Successors

SESSION 3.1 | Founder-CEO Succession: “Founder-CEO Succession at Wily Technology”

Accelerating: 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 3.2 | Post-Succession Issues: “Les is More, Times Four”

Accelerating: 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 3.3 | Negotiating with Investors: “Edocs” Negotiation Exercise

Accelerating: Investors and Successors

Materials and Assignments

- Case: Edocs, Inc. (A) [with optional spreadsheet provided]
- Role instructions (to be distributed before class)
- New term sheet (posted in Non-case Materials on Blackboard)
- 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.

NOTE: Please use the term sheet posted in the Non-case Materials section on Blackboard instead of the term sheet in Exhibit 7 of the case. (You should still pay attention to the cover letter in that exhibit of the case, though.)

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 3.4 | “Edocs” Negotiation Exercise: Debrief

Accelerating: 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 3.5 | Inside the Board of Directors: “Bettina’s Board Walk”

Accelerating: 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 3.6 | Inside the Investment Firm: Bolt

Materials

- Case: BOLT

Assignments

BOLT is a seed venture capital firm built to serve the needs of early-stage startups at the intersection of hardware and software. BOLT raised its first small \$4 million seed venture capital fund in early 2013 and opened a space in downtown Boston that contained a remarkable array of equipment and talent to attract and nurture high potential hardware startup ventures. The founders of BOLT, Ben Einstein, Axel Bichara and Scott Miller, recognized the convergence of two trends and identified an unmet market need. In the past decade the cost of entrepreneurial experimentation has dropped dramatically, particularly in web and mobile applications. Teams can generate and test hypotheses quickly and efficiently. What once took millions of dollars and years can now be accomplished with thousands of dollars and in a matter of months. As a result, the rate of exploration has exploded. More recently, there have been a number of parallel changes in the world of hardware-based ventures. This convergence has led to the creation of new sources of capital and advisors – incubators, accelerators and specialized seed venture funds.

1. Do you believe BOLT has identified an attractive opportunity? What have they proven? What remains to be proven?
2. Are the deal terms BOLT offers to entrepreneurs fair?
3. Would you invest in BOLT II?

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: Growth and Exit

SESSION 4.1 | Evolution and Revolution: “Knight the King: The Founding of Nike”

Growth and Exit

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 4.2 | Franchising: “Rubbish Boys”

Growth and Exit

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 4.3 | Exit Dilemmas: “KCC: Third Time’s the Charm?”

Growth and Exit

Material

- 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 4.4 | Exercise: Centralis

Growth and Exit

Materials & Assignment

- Assignment will be distributed ahead of time in class

SESSION 4.5 | Experiencing the Exit Dynamic: “Nantucket Nectars: The Exit”

Growth and Exit

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 4.6 | Semester Wrap-Up

Semester Wrap-Up

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?