

Creating a Successful Student Business Team

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Agenda

- Building a team
 - Finding the right people, founders versus employees
- Guideposts for getting started
 - Ownership, tensions, intellectual property, onboarding employees
- Project Olympus PROBE is a great place to start
 - Dedicated staff, resources, experience, networking, ...

Fly solo or as a co-founder?

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Founder responsibilities broad & deep

- Product roadmap and development
- Business development
- Sales and marketing
- HR, company culture
- Raising and managing cash
- Lead extraordinary amounts of change

Consensus: form a founding team

- 60% have 2-3 founders
- Better odds of success
 - More knowledge
- Raise more money
 - 30% more investment in early years
- Better experience
 - Share effort, stress, ...
- Faster customer growth
 - 3x faster growth vs single founder ventures
- Challenges of shared decision making
 - Choose wisely!

Forming your founding team

Founders and early employees (not necessarily the same thing)

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Founders vs. Early Employees

- Founders “own” the business
 - Employees earn options (right to purchase, years from now)
- Founders make all the big decisions
 - Early employees observe, but don’t decide
- Early employees get larger options than later employees
 - More risk means more reward potential

Good founders disagree agreeably

- It is OK to have some big/complex disagreements
 - In fact, it is guaranteed that this will happen
- Can you and your partner have productive disagreements?
 - Did these turn nasty/personal?
 - Did you gain respect (or, at least, appreciation) of each other?
 - Do you still hang out afterward?

Key criteria you should consider

Complimentary may be best

- Skills
 - Tech, business, people, etc.
- Networks
 - Distinct networks allow you to draw on wide range of expertise, introductions

Like-minded may be best

- Personal
 - Values/ethics
 - Personal goals
- Company
 - What should the company be?
 - Product vision
 - Criteria for success

Friends, partners or both?

- Do friends make good partners?
- Can you be friends with your partners?
 - Should you be?

Sources of Tension

Individual (internal) and team

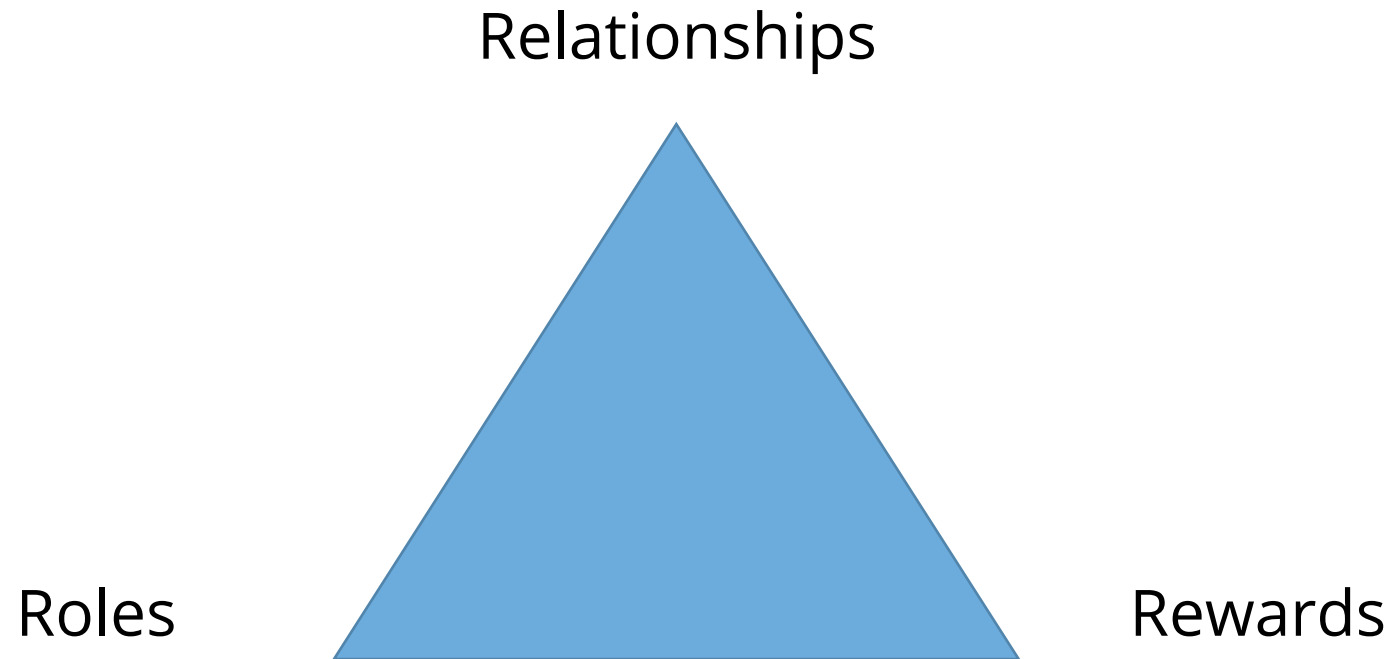
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Internal tensions

- Wearing many hats, often conflicting
 - Shareholder, director, officer, employee
- Ignorance, erosion of confidence
 - Being a leader can be lonely—few peers in the organization
- Personal distractions

Team tensions



Founders Agreement

- Specifies ownership, how to separate, vesting schedule
 - Similar to a prenuptial agreement. Absolutely necessary.
- When would you put an agreement in place?
 - What are the problems with timing of doing this (early or late)?
- Details beyond the scope of this talk (come to Start Smart CONNECTS)
 - Lots of good resources, use experts (attorneys) when executing

A word about ownership

- Divide equity equally or not? Consider:
 - Value added to date
 - Anticipated value add
 - Role/responsibilities
 - Implications include control

- Check out Frank Demmler's "Founder's Pie" presentation

<http://www.cmu.edu/swartz-center-for-entrepreneurship/assets/Connect%20Spring%202017/Equity%20Compensation%20Master.pdf>

Other equity considerations

- Employees earn equity (options)
 - Employees draw salary, but usually below market
 - Should be in it for stock gains
- Don't be too quick to hand out equity to consultants, etc.
 - You can't get it back and you can't generate more

Intellectual property

- Rule #1: Speak to an attorney
 - Local resources for that
 - Olympus Office Hours
- Refer to CMU policy
 - Sources of support can influence IP ownership
- Can I use/build upon a class project?
 - Generally, yes. Refer to rule #1
 - Your work might be copied by others

Important legal documents

- Founders agreement
 - Discussed earlier
- Non-Disclosure Agreement (NDA)
 - Protects your confidential information (tech, bus plan, etc.)
 - Note: investors generally won't sign these
- Employee agreement
 - Includes invention assignment agreement

Growing beyond founders

Employees, interns, consultants, service providers, ...

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Hiring strategy and speed

- Organizations build bottom up, top down or middle out
 - Be wary of candidates who care too much about titles
- Hiring speed is important
 - Too fast: you lay people off, get a bad reputation, run out of cash
 - Too slow: you burn people out, risk company's growth
- Company's needs will change over time
 - Ideally, hire people who can change/grow with the company

Hiring mistakes are very expensive

- Takes a large amount of time to get it right
 - Mistakes take a toll on staff, \$, timeline. Be picky!
 - Get rid of bad employees quickly, learn from your mistakes
- Use your network
 - Referrals are often the best candidates
- Understand candidate's motivation
 - Get rich vs change the world

Onboarding of employees

- Founders: signed agreement in place
- All: NDA and invention assignment agreements in place
 - You'll need an ESOP, but not necessarily day one
- Visas: think carefully about time/cost/legal entanglements
 - Consult attorney and/or CMU's Office of Intl Education (OIE)

Service providers

- Accountants, attorneys, etc. are NOT employees
 - And generally should not be board members
- Attorneys formally incorporate the company
 - Also provide boiler-plate docs, patent/IP work
 - Remember: they work for the company, not you
 - You will eventually need a personal attorney
- Payroll is almost always outsourced

Beyond paid employees and services

- Build a network. Now!
 - Cultivate a professional network—this is going to be invaluable.
- Your startup might need an advisory team (not a board)
 - Professionals willing to provide counsel.
 - Domain experts with relevant experience.
 - Not paid—think of them as mentors:
 - They are repaying debts from those who helped them.
 - They are excited about your business opportunity!

Project Olympus

A good place to find partners, mentors and lots of help

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Swartz Center/Olympus is for students who...

...have one or more ideas for potential businesses but don't know whether they are good ones

...want to start a business

...want to work in a startup

...want to get startup experience

...want to find out what it is all about

Getting started with Olympus

- Become a PROBE
 - Complete the Business Concept Template
 - Simple. Answer basic questions in 2-3 sentences
 - Become a full PROBE if
 - Business opportunity is plausible
 - Commitment/perseverance to get the most from being a PROBE
- Work with existing PROBEs

Business Concept Template

YOUR NAME(S) AND EMAIL:

Date:

NAME OF COMPANY: *(or working title)*

DESCRIPTION OF THE BUSINESS CONCEPT: *Describe in one or two sentences the product/service.*

MARKET DRIVERS: *What are the problems, conditions or events that will make this business attractive or successful?*

TARGET MARKET: *Who is this being sold to? What are the characteristics of the target market? Size and demographics? (Where will you find this information?)*

VALUE PROPOSITION TO THE CUSTOMER: *Why would they buy this product/service? What are the benefits to the customer?*

WHAT IS YOUR 'UNFAIR' COMPETITIVE ADVANTAGE? *Who are the competitors/alternative solutions? What are customers doing now? What unique characteristics do you have that would give you an advantage? Is your product/service patentable?*

REVENUE MODEL: *How will you get paid?*

DISTRIBUTION MODEL: *How will this be sold? Who will do it?*

CURRENT STATUS: WHAT STEPS HAVE YOU TAKEN OR PROGRESS MADE TO DATE: *Conducted market research? Built a prototype?*

TEAM: *List current team members with school affiliation and graduation year where appropriate. What role or function will each play? What additional talent do you need to start the company?*

ADVISORS: *List faculty and other advisors if you have them and/or background or expertise of advisors that you would like to find.*

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Connects: Finding Other Entrepreneurs

- Are you looking for teammates?
 - Are you looking for a team to join?
 - Do you need any advice or help?
 - Any announcements?
 - Any successes?
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- Connects web page has all this and more

<http://www.cmu.edu/swartz-center-for-entrepreneurship/events/connects/>

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Thank you!

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