

CONNECTS
Creating a Successful
Student Business Team

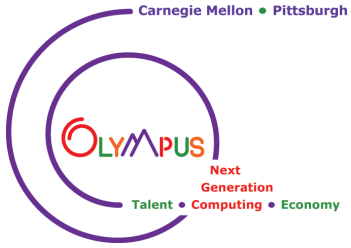
Kit Needham
www.cmu.edu/olympus



Creating a Successful Student Business Team

Kit Needham

Bill Courtright



CIE/Olympus is looking for students who....

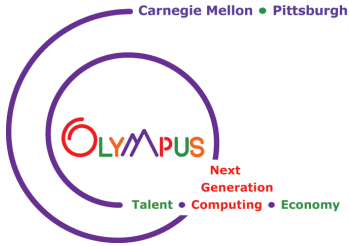
...have one or more ideas for potential businesses but don't know whether they are good ones?

...want to start a business

...want to work in a start up

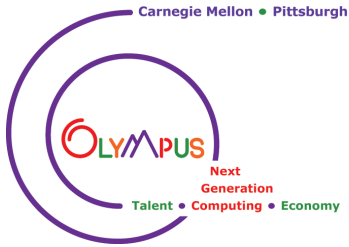
...want to get start-up experience

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



Getting Started

- **Complete the Business Concept Template to explain your business idea; 2-3 sentences for each section**
- **Can become a PROBE if....**
 - **Plausible business opportunity**
 - **Commitment/perseverance to get the most from the Olympus experience**
- **Work with PROBEs-in-Process**



Business Concept Template



OLYMPUS BUSINESS CONCEPT TEMPLATE

YOUR NAME AND EMAIL:

TITLE:

Date:

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 CLIENT: *Why would they buy this product/service?*

WHY WOULD THE TARGET MARKET BUY FROM US? *Who are the competitors? What unique characteristics do you have that would give you an advantage?*

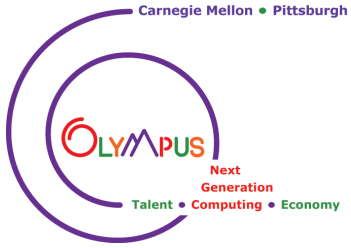
REVENUE MODEL: *How will you get paid?*

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

WHAT IS THE POTENTIAL REVENUE? *High, Med, Low: gross margins, comparable products or markets? Estimated revenue and expenses? How long to profitability?*

MANAGEMENT: *List current team members with school affiliation, graduation year, and role or function. What additional talent do you need to start the company? How will you fill the gaps?*

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



CONNECTS

Are you looking for team mates?

Are you looking for a team to join?

Do you need any advice or help?

Any announcements?

Any successes?

www.olympus.cs.cmu.edu

**Is forming a team
a good idea?**

Do Form a Team

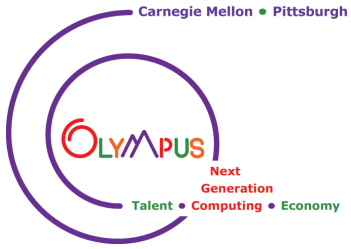


Do Form a Team

- **Too much for one person to do**



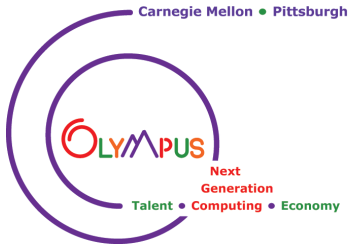
- **Investors prefer teams**
- **Need various expertise**
- **Help keep momentum**



Common Questions

- *I want to use my business idea for a class project.*

Is that a good idea?



Suggestions

Generally, yes.

- **Draw upon expertise of classmates**
- **Can make significant progress**
- **Possibility of someone copying your idea (the easy part) but that has not been an issue to date**
- **Usually no “IP” created**
- **Strategy used successfully by other students**

Common Questions

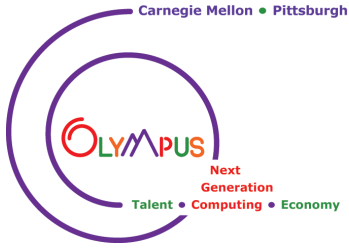
Five of us students worked on an idea as part of a capstone project where we are producing a prototype.

I think there is a real business opportunity with what we have done but only one of us wants to explore commercialization of this idea.

- **Who owns the intellectual property?**
- **What do/should I offer my fellow**

Suggestions

- **CMU's policy**
- **Common agreements between corporate sponsors and CMU/ students**
- **Options to offer fellow project members**



Common Questions

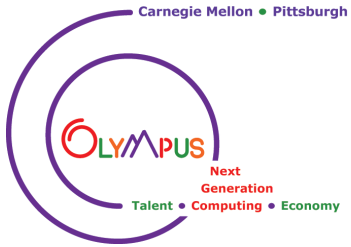
I am talking with other students about joining my team to work on my business idea.

***Should I get them to sign a Non-Disclosure Agreement (NDA)?
A Non-Compete?***

Suggestions

No. NDAs and non-competes are not necessary at this stage.

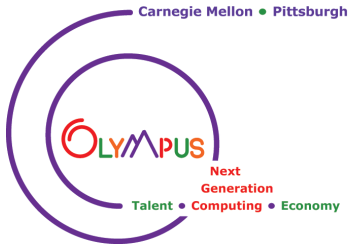
- **Need to learn how to describe your idea without giving away ‘the secret sauce’**
- **Ability to execute on the idea is far more important than the idea itself.**



Common Questions

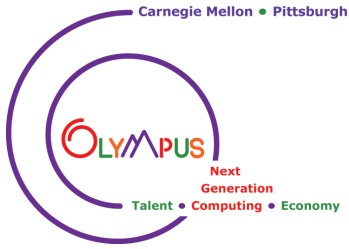
“Three of us students want to start a business (e.g. be cofounders).”

How do we decide who gets what percentage of equity in the company?



Suggestions

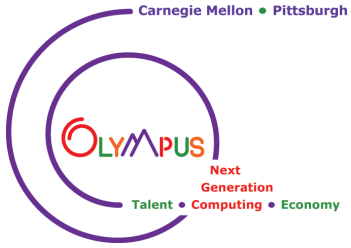
- **Equity does not have to be equally divided.**
 - **Investors like having a decision maker**
 - **OK to retain controlling interest if you are the initiator and prime driver.**
- **Important to have equity ‘earned’ over time or by milestones.**
- **“Founders Pie” Tool on Olympus’ website**
- **Careful about giving equity to ‘one-timers’**



Common Questions

I want to bring other students onto the team but not all are bringing equal contributions (and I have no funding).

What are my choices to offer them?



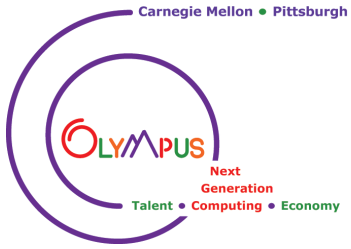
Common Solutions

Roles:

- **Founder**
- **Team member**
- **“Intern”**
- **Project-basis**

Choices:

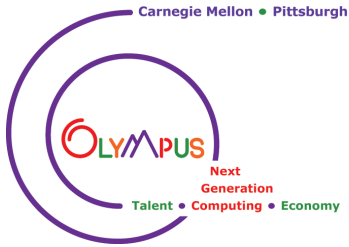
- **Equity**
- **Cash: Immediate or deferred**
- **Experience**
- **Academic Credit**
- **References**



Common Questions

We want to bring other students on to the team, but not as founders.

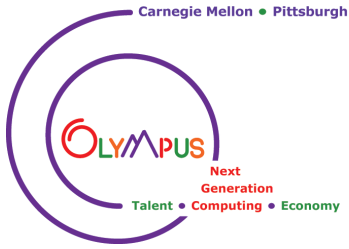
Do we need them to sign anything?



Suggestions

Yes. They need to sign an agreement:

- **What they produce is owned by you or the company and can be transferred**
- **Non-disclosure (can't tell other companies or competitors what you are doing)**
- **Non-compete (they can't use what they've learned to set up a competing business).**



Common Questions

We want to bring other students on the team as interns during the summer.

What are our choices?

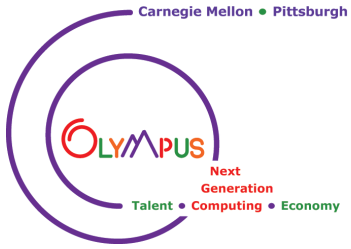
What do we need to be aware of?

What do we need to do?

Suggestions

- **If not paid: Have a specific agreement about the terms/conditions and benefits**
- **May need to hire the students**

Come to the Start Smart: Third Party Relations”



Common Questions

We want to bring another student on to the team who is not a US citizen and doesn't have a green card.

How do we do this legally?

Suggestions

- **F-1 visa students: May be best to apply for CPT if available for your curriculum and/or Apply for OPT after graduation.). See OIE!!!!**
- **Note: F-1 students cannot be paid.**
(Come to the Spring ‘Start Smart’ on Starting a Business on an F-1 Student Visa and Employees that Third Party Contracts)

Common Questions

I met someone who may be a good fit for a co-founder, but we only had a few discussions.

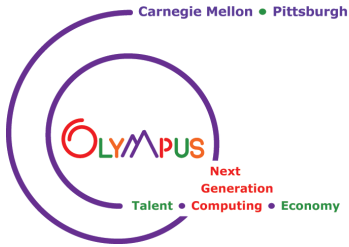
What should I do before I decide to invite this student to join my venture?

Suggestions

“Date before you marry”

- **Pick a project that needs to be done**
- **Agree on the time frame and deliverables**

“How did that work out?”



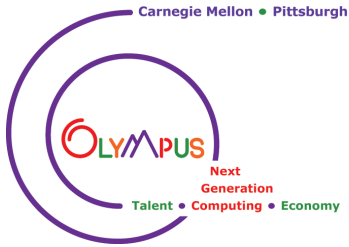
Common Questions

We think we want to incorporate our business. This costs money so we don't want to do this before we have to.

What is a good time to do this?

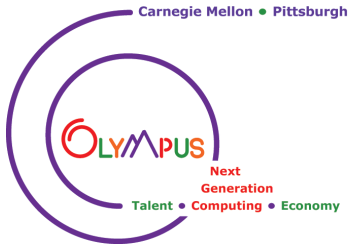
Can we use some of the (less expensive) law services on the web?

How much does it cost?



Common Questions

- **Timing considerations:**
 - **Money is being invested**
 - **Signing a contract**
 - **Hiring an employee**
 - **Applying for an SBIR**
- **A good lawyer can save money in the long run. Good to download documents so you know what decisions need to be made, etc.**
- **Cost of a typical incorporation ~ \$1000- \$1500 which includes all fees. LLC ~\$600**



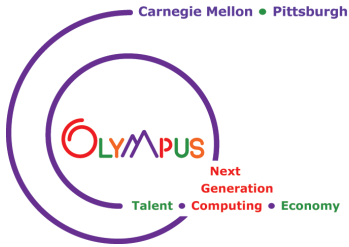
Common Questions

“My co-founder who owns 50% of the business has dropped out and isn’t doing anything.”

“The other founder and I had a big fight and we don’t think we can work with each other.”

Both students wanted to continue working on the business. But they were having problems getting their co-founders to come to terms about transferring the business to them.

“What are my options?” “Could I have done something at the start to prevent this?”

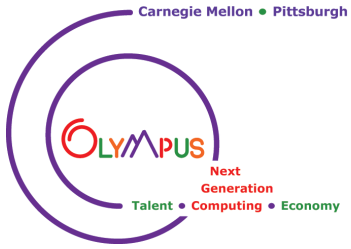


Suggestions

A sound Founder's Agreement addresses these problems.

Absent that: Discussions in writing

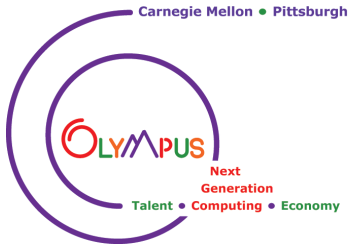
- **Management Issues**
- **Restrictions on Transfer**
- **Equity Ownership**
- **Profit and Loss Allocations**
- **Call Rights**



Common Questions

We are getting ready to incorporate.

- ***Does it matter where we file?***
- ***Which structure should we choose?***



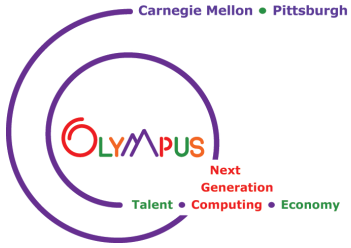
Suggestions

Choice of Location

Choice of Entity Considerations

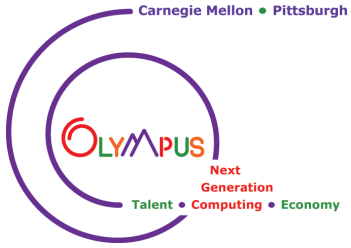
- **LLC**
- **S Corp**
- **C Corp**
- **LLP**
- **Sole Proprietor**

Start Smart Seminar & Workshop: Spring 2015 or Legal Office Hours



Where to Find Team Members

- **CIE events – such as this**
- **Entrepreneur clubs and events on campus**
- **TartanTrak**
- **Classmates**
- **Professors**
- **Other universities**
- **Network, network, network**
- **Other?**



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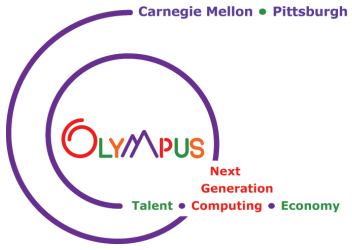
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Any successes?

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Q & A