SYLLABUS

The Founder’s Dilemmas:
Anticipating and Avoiding the Pitfalls That Can Sink a Startup

Dr. Noam Wasserman

Audiences

This course is for people who plan to become involved or are already 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, or as the relatives (e.g., significant others) of those founders
2. As early hires, early advisors, or board members in new ventures
3. As potential investors (e.g., VCs), customers, partners, or acquirers of new ventures

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

Course Content

The Founder’s Dilemmas examines the early, often difficult, decisions that have important long-term consequences for founders and their ventures. Potential consequences include dissolving the founding team due to tensions between founders, losing control of the venture, and imperiling the venture’s growth despite the hard work and innovative ideas that were invested. The course’s goal is to empower students to make decisions that will steer them away from unintended consequences, towards the goals they hoped to achieve when launching their ventures. For students looking to work at or invest in a venture, the course will help them be much more informed about the issues they might face.

The course focuses on "people" issues (i.e., the key challenges faced when deciding when and how to involve other people in the venture) and on "universal" issues (i.e., those issues faced by founders regardless of the industry, location, or period of time in which they are founding their ventures).

The Founder’s Dilemmas is based on research conducted since 2000 and taps data on 6,000 startups and 15,000 founders that was collected over the last 15 years. It also uses case studies, experiential exercises, interactive lectures, videos of case protagonists reflecting on their early founding decisions, and self-reflection exercises.

Course Organization

The course is comprised of four major modules:

1. Preparing Yourself to Found – What factors should I consider when deciding whether or not to found now? Should I start a company now, or work elsewhere first? What are the pros and cons of different career paths vis-à-vis my ability to successfully start and run a new venture?
2. **Building the Team: Cofounders and Hires** – Should I be a solo founder, or should I try to attract co-founders? If I attract co-founders, who should they be (e.g., friends, family, former colleagues, or strangers?); how should we split the roles and decision making; and, how should we split the equity?

3. **Accelerating and Exiting: Investors and Successors** – What are the tradeoffs involved in attracting outside money and talent? How will my decisions affect my ability to keep control of my venture and also build its value? How should my motivations for becoming a founder affect the choices I make?

4. **Lessons from Outside Our Box** – Moving outside of our focus on first-time founders in high-potential ventures, what are the promises and the perils of becoming a serial entrepreneur? Which of our lessons also apply to non-profit organizations and low-tech startups? Are there implications for us as potential founders?

**Learning Objectives**

Upon taking this course, the student will be able to:

1. Anticipate which early people decisions can cause problems for founders and their startups
2. Understand the tradeoffs of involving cofounders, hires, investors, and board members in their startups
3. Deepen self-awareness about the biases and inclinations 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 case discussions and exercises will be required.

**About the Professor**

Noam Wasserman has been a professor of entrepreneurship at Harvard Business School for 13 years, and is in the process of founding and directing the country’s first founder center at the University of Southern California. His first book, *The Founder’s Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup* (Princeton University Press, 2012), was an Amazon #1 bestseller in Management and in New Business Enterprises. Nearly four years after publication, its softcover and Kindle versions are still on the bestseller lists for Strategy and Competition and for New Business Enterprises. It has been published in seven languages and has been an entrepreneurship bestseller in multiple countries. The book has also been critically acclaimed, winning the Academy of Management “Impact on Practice” award as well as being named to the Academy’s list of the top five business books of the year.

He created and taught Harvard Business School’s most popular entrepreneurship elective course, “Founder’s Dilemmas,” for which he was awarded the Faculty Teaching Award for teaching excellence. *Inc.* magazine named it one of the top ten entrepreneurship courses in the country in 2011. He also taught the course as a visiting professor at Stanford University in 2014.

Noam built the course’s foundation on a stream of research published in top journals that include *Strategic Management Journal, Organization Science, Academy of Management Journal, Management Science*, and *Harvard Business Review*. Noam’s work has also been featured in cover stories in the *Wall
Street Journal and Inc. magazine, and in stories in Business Week, New York Times, Washington Post, the Huffington Post, and others. Since 2013, he has chaired the Academy of Management’s committee that judges and awards the annual award for most innovative new entrepreneurship course, and he served for half a decade as one of the three core faculty of the Kauffman Foundation’s Global Scholars program.

He received his PhD from Harvard University in 2002, and received an MBA (with High Distinction) from Harvard Business School in 1999, graduating as a Baker Scholar. Before coming to Harvard, he was a Principal and Practice Manager at a management-consulting firm near Washington, D.C., where he founded and led the Groupware Practice for three years. He also worked as a venture capitalist at a firm in Boston. Noam received a joint BSE (magna cum laude) in Computer Science and Engineering from the University of Pennsylvania, and a BSEcon (magna cum laude) in Corporate Finance and Strategic Management from the Wharton School at Penn.
### High-level Schedule

<table>
<thead>
<tr>
<th>Morning</th>
<th>Monday</th>
<th>Tuesday</th>
<th>Wednesday</th>
<th>Thursday</th>
<th>Friday</th>
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<tbody>
<tr>
<td></td>
<td><strong>Early-career founding:</strong> Career at a Crossroad</td>
<td><strong>Forming the team:</strong> Haute Heaven</td>
<td><strong>Legal issues:</strong> Founder agreements, non-competes, etc.</td>
<td><strong>Building and managing a board:</strong> Bettina Hein</td>
<td><strong>Franchising:</strong> Rubbish Boys</td>
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<td><strong>Late-career founding:</strong> Barry Nalls</td>
<td><strong>Entrepreneurial persistence:</strong> Savage Beast</td>
<td><strong>Interactive wrap-up:</strong> Building the Team module</td>
<td><strong>Decisions across ventures:</strong> Evan Williams</td>
<td><strong>Consumer goods:</strong> Founding of Nike</td>
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<td>Afternoon</td>
<td><strong>Switching industries:</strong> Curt Schilling’s Next Pitch</td>
<td><strong>Negotiating equity splits:</strong> UpDown negotiation exercise</td>
<td><strong>Resource tradeoffs:</strong> Segway</td>
<td><strong>Exit dilemmas:</strong> Nantucket Nectars</td>
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<td><strong>Interactive talk:</strong> Calibrating risk preferences, eliminating handcuffs</td>
<td><strong>Negotiating equity splits:</strong> UpDown debrief</td>
<td><strong>Founder-CEO succession:</strong> Wily Technology</td>
<td><strong>Interactive wrap-up:</strong> Accelerating and Exiting module</td>
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- Preparing Yourself to Found
- Building the Team: Cofounders and Hires
- Accelerating and Exiting: Investors and Successors
- Lessons from Outside Our Box
ASSIGNMENTS AND GRADING DETAIL

There are five components to your overall course grade.

- **Participation**: See details below.
- **Pre-Class Polls**: For most case discussions and exercises, you will complete pre-class polls about what decisions the protagonists should make, your biggest reflections on the cases or exercises, and other items. Polls will vary in length, and can be extensive; you will need to have completed all of your class preparation in order to be able to answer the poll questions.
- **Blogs**: At the end of each day, you will be asked to deliver blogs in which you reflect on specific topics related to that portion of the class. Content will include both self-reflection and, at the end of the course, the communication of lessons to those not involved in startups. Emphasis is here placed on identifying lessons that are both (1) surprising/new, and (2) important. The blog assignments are described in detail below.
- **Blog Comments**: One day 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.
- **Final Reflection Memo**: At the end of the course, you will be asked to reflect on what you have learned and provide a thoughtful, nuanced consideration of how your approach to an important entrepreneurial decision has changed because of what you have learned. You are asked to accompany this reflection with a roadmap for yourself when you are facing that decision, please provide specific details about the actions you will take, the hurdles you may face, and how you should anticipate and avoid those hurdles.

More detailed instructions for Participation, Blogs, and Memos are provided below.

<table>
<thead>
<tr>
<th>ASSIGNMENTS</th>
<th>% OF GRADE</th>
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<tr>
<td>Participation</td>
<td>30%</td>
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<tr>
<td>Pre-Class Polls</td>
<td>10%</td>
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<td>Two Blogs (due Tuesday and Thursday) and Comments (due one day later)</td>
<td>20%</td>
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<td>Each blog (≤ 400 words, due at midnight)</td>
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<td>Each round of 3 Blog Comments (≤ 250 words for each comment)</td>
<td>2 X 2%</td>
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<td>“Stretch Beyond Startups” (SBS) Blog and Comments (due one day later)</td>
<td>15%</td>
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<td>“SBS” Blog (≤ 400 words, due Friday at midnight)</td>
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<tr>
<td>Each round of 3 “SBS” Blog Comments (≤ 250 words for each comment)</td>
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<td>Final Reflection Memo (≤ 1000 words)</td>
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<td>TOTAL*</td>
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A Note about Class Participation

Participation plays a substantial role in this course, and thus constitutes 30% of the overall grade. 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 the delivery of significant content additional to that addressed through out-of-class assignments.

You will experience the founding journey by putting yourself in the shoes of our case protagonists, making decisions in their places, 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, too.

The best contributions are those that (1) add new and important insights to our discussions, and (2) are built on real self-reflection, plus reflection on the prior contributions of your classmates.

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 or questions on a regular and timely basis; and you draw from relevant personal experience, where appropriate.

If you are unable to participate for language or other reasons, please consult me at the beginning of the course.

FD Blogs (≤ 400 words) and Blog Comments (≤ 250 words)

Each student will be required to write two mid-course blog posts (one due Tuesday at midnight, the other due Thursday at midnight), to write a final “Stretch Beyond Startups” blog post (due Friday at midnight), and to comment on classmates’ blog posts.

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

Tuesday’s blog post should be tied to the content we covered on Monday and Tuesday.

Thursday’s blog post should be tied to the content we covered on Wednesday and Thursday.

For your final blog post (“Stretch Beyond Startups”) on Friday, think about the 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 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. 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 later in the course. Instead, you can draft your blog earlier in the course, but then set it aside and revisit it after we cover that material.
- 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 blog post is due by midnight of the day it is due. 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.

Blog Comments

One day 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 keywords to find posts that might be of interest to you, and then read those posts to find ones to which you can add insights.

<table>
<thead>
<tr>
<th>Final Reflection Memo (maximum of 1000 words)</th>
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<tr>
<td>Of the entrepreneurial decisions you are facing or will soon face, <em>for which one has your decision changed the most</em> because of the material we have studied or experienced during this course? Why and how?</td>
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<td>Describe the decision, what you would have done before this course, and how your decision was or will be changed because of something we did in the course. <strong>What sparked the change in your thinking?</strong>*</td>
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<td>To provide a roadmap for yourself when you are facing that decision, please provide <em>specific details</em> about the actions you will take, the hurdles you may face, and <em>how you should anticipate and avoid those hurdles</em>.</td>
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<tr>
<td>It is far better to delve deeply into a single decision than to spread yourself thinly across multiple decisions. You should email your memo directly to your professor. Please include your name in the filename of the memo (e.g., “Jane Smith reflection memo.pdf”).</td>
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SESSION DETAILS AND ASSIGNMENTS

MONDAY

SESSION 1

Early Career Founding: “Career at a Crossroad”
Preparing Yourself to Found

Materials
- Career at a Crossroad: Akhil Patel
- Career at a Crossroad: Roopa Rao
- Pre-class Poll (please complete by 7:30am): Career at a Crossroads Poll

Assignments
1. Please read the short "Career at a Crossroad: Akhil Patel" and "Career at a Crossroad: Roopa Rao" cases.
   - Which opportunity should Akhil accept, ELK or Cleanwatt? Why?
2. If you haven't already, please complete (1.) the "Your Career Experiences and Decisions" poll and (2.) "Personal Preferences" poll. I look forward to sharing the results with you!

SESSION 2

Late Career Founding: “Big to Small: The Two Lives of Barry Nalls”
Preparing Yourself to Found

Materials
- Big to Small: The Two Lives of Barry Nalls

Assignments
Barry Nalls describes lessons learned during his 25-year career--his rise at GTE and shorter-lived ventures--and how these prepared him to found MASERGY, a telecommunications start-up. Even as a young boy in a family of entrepreneurs, Nalls had a reputation as a hard worker, but instead of becoming an entrepreneur himself, he built a long career at "the biggest company around," GTE. After years of working there in sales and marketing, he decided to venture out on his own. His GTE experiences armed him for some entrepreneurial challenges, but also caused additional problems as he tried to start, build, and grow MASERGY. Four years after founding the venture, he now feels that he should have "taken the entrepreneurial plunge" much earlier in life.

1. Did Barry Nalls' experiences at GTE prepare him to become a founder? How?
2. What other early influences shaped the founding of MASERGY? How?
3. Comparing the draft of his initial VC pitch and his final version of the pitch, what did Barry learn about pitching to VCs?

NOTE: If you haven't already, please complete the "Your Career Experiences and Decisions" and "Personal Preferences Poll" polls.
SESSION 3

Switching Industries: “Curt Schilling’s Next Pitch”
*Preparing Yourself to Found*

**Materials**
- Curt Schilling’s Next Pitch
- Pre-class Poll (please complete by 7:30am): Curt Schilling’s Next Pitch Poll

**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.

Please complete the case poll above after considering the following questions:

1. Does Curt Schilling have what it takes to eventually become an All-Star entrepreneur?
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?

SESSION 4

Interactive talk: Calibrating risk preferences, eliminating handcuffs
*Preparing Yourself to Found*

**TUESDAY**

SESSION 5

Forming the Team: “Haute Hunte”
*Building the Team*

**Materials**
- Haute Hunte: Pursuing the Big Trophy
- Pre-class Poll (please complete by 7:30am): Haute Hunte Poll

**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.
Please complete the poll above and think about these questions:
1. Could Vikram have solo-founded his company like Barry Nalls did with Masery? 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 6**

**Entrepreneurial Persistence: “Savage Beast”**

*Building the Team*

**Materials**
- Savage Beast (A1)
- Pre-class Poll #1 (please complete by 7:30am): Savage Beast - Pg. 8
- Pre-class Poll #2 (please complete by 7:30am): Savage Beast - End of 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.

Please complete the polls above (one after p. 8 of the case, the other at the end of the case), and think about the following questions:
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 7**

**Firsthand Experience with Equity Splits: “UpDown” Negotiation Exercise**

*Building the Team*

**Materials**
- Negotiating Equity Splits at UpDown
- UpDown Negotiation Exercise

**Assignments**
We will not meet in the classroom for this session. Instead, during class time you should 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 class, 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. (Please contact our course TA if you did not receive your confidential role information.)
3. Fill out the "Pre-Negotiation Poll" **before** your group gets together to conduct the actual negotiation.
4. Please do NOT discuss this case or the exercise with other students before you do the actual negotiation.

**STEP 2: GROUP NEGOTIATION**

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

**STEP 3: AFTER THE NEGOTIATION**

1. Please complete the "Post-Negotiation Poll" as soon as you complete the negotiation.
2. In addition, each team's "Michael" must complete a second ("Agreement Terms") poll as soon as your team completes the negotiation.

**SESSION 8**

“UpDown” Negotiation Exercise: Debrief

*Building the Team*

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.

If you haven't already, please give feedback to your UpDown teammates about the negotiation -- e.g., for the next time they negotiate something similar, what they should Start / Stop / Keep doing.

**NOTE:** Your Tuesday blog post, covering any topic related to the material we learned on Monday and Tuesday, is due Tuesday at midnight. Your comments on at least three classmates' blog posts are due one day later (i.e., Wednesday at midnight).
SESSION 9

Legal issues: Founder agreements, non-competes, etc.

Building the Team

An expert on legal issues in startups will come to class to impart wisdom and tackle your burning questions.

SESSION 10

Interactive Wrap-up for the “Building the Team” Module

Building the Team

Materials

- Founders' Podcast

Assignments

Preparation for "Building the Team" Module Wrap-up

1. Please reflect on your biggest takeaways about founding teams and about yourself.
2. The podcast posted above is from a set of frank conversations between two actual founders – and between each of them and their spouses – as they try to reach an agreement. Please listen to the excerpt from the podcast and think about the following two questions:
   a. Why are these two founders having problems reaching an agreement?
   b. What could they have done better from the beginning?

SESSION 11

Tradeoffs Beyond the Team: “Managing Segway's Early Development”

Accelerating and Exiting: Investors and Successors

Materials

- Managing Segway's Early Development

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.

Please read the case and think about the following questions:
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 12

Founder-CEO Succession: “Founder-CEO Succession at Wily Technology”
Accelerating and Exiting: Investors and Successors

Materials
• 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 13

Building and managing a board: “Bettina’s Board Walk”
Accelerating and Exiting: Investors and Successors

Materials
• Pixability: Bettina's Board Walk
• Pre-class Poll (please complete by 7:30am): 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)
• Board Design and Management: Considerations for Startups
• Term Sheet Negotiations: A "Rich-vs.-King" Approach

Assignments

Please read the “Bettina’s Board Walk” case, watch the two videos posted above, and complete the pre-class poll (by 7:30am).

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 14

Decisions Across Ventures: “Evan Williams: From Blogger to Odeo”

Accelerating and Exiting: Investors and Successors

Materials
• Evan Williams: From Blogger to Odeo
• 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?

SESSION 15

Exit Dilemmas: “Nantucket Nectars: The Exit”

Accelerating and Exiting: Investors and Successors

Materials
• 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)?
SESSION 16

Module Wrap-Up for “Accelerating andExiting”
*Accelerating and Exiting: Investors and Successors*

Assignments

1. I emailed you your answers to our Personal Preferences Polls. Are there any patterns in your answers to the poll? Did your answers change between your pre-course 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?

NOTE: Your Thursday blog post, covering any topic related to the material we learned on Wednesday and Thursday, is due Thursday at midnight. Your comments on at least three classmates’ blog posts are due one day later (i.e., Friday at midnight).

FRIDAY

SESSION 17

Franchising: “Rubbish Boys”
*Lessons from Outside Our Box*

Materials

- 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, why are (A.) Indemnification, (B.) Territory size, (C.) Royalty rate, and (D.) Franchise fee so contentious?

SESSION 18

Evolution and Revolution: “Knight the King: The Founding of Nike”
Lessons from Outside Our Box

Materials
- Knight the King: The Founding of Nike
- Evolution and Revolution as Organizations Grow

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?
4. Please skim Greiner’s classic HBR article on the evolution of new ventures. Does it apply to Nike’s evolution? Does it give you any insights into Knight’s actions as Nike was growing? Does it suggest any solutions for how Knight can solve the current crisis?

Final Assignments – Blogs, Blog Comments, Final Reflection Memos, and Feedback Polls