



Stanford eCorner

The Co-Founder Mythology

Mark Suster, *Serial Entrepreneur*

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While many legendary Silicon Valley companies were founded by teams of two, partnerships aren't without their problems, states venture capitalist Mark Suster. Disagreements arise based on personal life changes, business strategies, and roles within the company. Suster prefers to avoid playing the role of co-founder "marriage counselor" by working with a strong, individual entrepreneur.



Transcript

I believe in having partners. I believe in inviting people in and giving them large stakes. That stake may even be 20%, 25%, 30%, 35% but there's kind of a mythology in Silicon Valley which is that the cofounder's model is the only model and we know it because we have Larry and Sergey and we have Steve Chen and Chad Hurley and David and Jerry. Each of these images that I pulled up, I never had to type the last name. I literally just typed Jerry and David and it came up, and I typed Steve and Chad and it came up. That's how baked into our system it is. Just because this model has worked does not mean the model works. I'm here to tell you what happens on the inside because we know most companies fail. I spent so much time as a marriage counselor with startups who don't get along, and it happens something like this. Life event, someone wants to throw himself at this company, the other person doesn't.

Someone gets married and they have a girlfriend or boyfriend and they get pulled to other opportunities. Some people perform better, some don't. We had cofounders; we didn't decide who was CEO. Now we got a company and people are interested in funding us. Which one of us is going to be CEO? These kinds of issues are garden variety happen all the time. We just don't talk about them because we know this Silicon Valley myth that it always works. So for me, it's a sequencing thing. I say to people even if you started and you decided to give 45% to somebody else to do it but ultimately, I prefer a stable environment where I have a passionate founder, passionate leader, willing to share equity, willing to bring people in decision-making but divorce clauses. I saw a company recently, very interesting company that had two cofounders and one of them walked and they didn't have founder vesting, so the guy who walked has a free ride on 50% equity while the other mug sweats his, I won't say it, and tries to create something big for this guy who's not even working. If you go for the cofounder model which I'm not telling you don't do it because I know everybody likes to, make sure you have founder vesting.

You protect yourself as an individual and you protect your partner by the way, too, because it might be you who decides not to work. There has to be a clause that says what happens if we fall out of love. What happens if one person's passionate and the other person isn't? I will tell you also it becomes a problem in fundraising. We look at a company. We see four founders, two of them are gone, two of them only have 12% equity each because they raised angel money. They had four founders, they started at 25, they got diluted down to 12. As a venture capitalist, I'm just thinking okay, let me tell you what happens. I put in money, your 12% becomes 8%. We do another round, your 8% becomes 5% and then I got to top you out with stock options and we play this BS game. So often when I see situations like that and I think some VCs feel like this, I just prefer not to get involved.