



Stanford eCorner

A Co-Founder Dilemma

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October 31, 2012

Video URL: <http://ecorner.stanford.edu/videos/3026/A-Co-Founder-Dilemma>

Harvard Business School Associate Professor Noam Wasserman shares some of the key paths and subsequent dilemmas faced by startup founders. Highlighting insights and research collected in his book, *The Founder's Dilemmas*, Wasserman looks closely at the inherent pitfalls of how and where entrepreneurs select co-founding partners.



Transcript

So here are founding team dilemmas. This is where we are assuming that the light bulb has gone off. You have evaluated it, you have gone through the thought process, hopefully avoided the passion becoming your downfall, the caution becoming the end of any of those aspirations and instead you have decided okay, now is the time to make that leap. A key early fork in the road, if not the first of the forks. We are going to take a look at where we are going to have very different ways that you can go in terms of the co-founder side. What do we think this option is? Go it alone? Solo founding? Be Superman, take the weight of the world onto your broad shoulders? Try to leap that building in a single bound all by yourself? Within my dataset even though this is a very valid choice if you have thought very clearly about whether you are what it takes to become a solo founder, only 16% of the ventures are solo founded. Far more the case that people head down the bottom path over here. 84% of them deciding to go the co-founding route. Just deciding to go down that path leads to a bunch of ripple decisions for you. We are going to take in particular a look at three of them, the three that my data have shown are particularly influential in terms of where the team is going to go.

We are going to call these the three Rs. There is going to be the relationships, the roles and decision-making and the rewards. What we are going to have is one slide on each of these and then going to go deep dive into the third of them. So first stepping back, looking at the relationships options, what do we think this decision is? Founding with friends, founding with the people that you have prior social relationships with, that you don't know in the professional realm. What's even more extreme than founding with friends? Founding with family. In my course we have a case on what we call the couplepreneurs. The significant others who are coming together to found. This is a very different model compared to co-founding with the people that you had prior professional relationships with. Key fork in the road on this relationship side of who am I going to tap as that source of co-founders? This, we are not going to have the time to go deeply into this but there are some critical pitfalls that you face along the way. Which one do we think is going to be more common of how people go with where they look for co-founders? Friends, how many people say friends is going to be? Friends or family? Okay, how many people say no? The other side of the ledger, the dream-team type? Interesting, the hands here happen to match what the data says.

And keep in mind, this is within tech ventures, within life sciences where you would expect a lower percentage of founding with friends and family than within small businesses and things like that and yet more than 50% of the teams in my dataset go with this left option, go with founding with the people that they know socially, but not professionally. So A, one thing is the preponderance of that decision. Which one of these decisions you think is a better one to go with? Which do you think is going to lead to a more stable team? Professional? Okay, people agree. Okay. This happens to be where we can see a very common theme throughout a bunch of these decisions. The most common of the decisions are the most fraught with peril. The social side teams, the friends and family, the data shows are the least stable of all the types of teams. They are the most likely to lose a founder sooner despite the glue that you would expect to be keeping them together. And so that most common of decisions,

more than 50% of the ventures are leading themselves down a path of playing with fire, of having a decision that could lead to forging a stronger team and bringing them to the glory that they are seeking when they go and tap that source of co-founders but also is very likely when you are playing with fire to burn you.