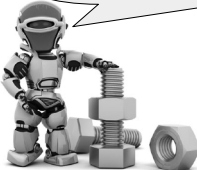



# People!



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v.190123

MIT Nuts & Bolts of New Ventures ~ IAP 2019

## Joost Paul Bonsen



**MIT Connections**

- Lecturer, MIT Media Lab
- <http://alum.mit.edu/www/jpbonsen> & [jpbonsen@alum.mit.edu](mailto:jpbonsen@alum.mit.edu)
- SB, MIT, EECS 1990
- SM, MIT Sloan, Sloan Fellows (MOT) 2006

- Ex-Lead Organizer, MIT \$100K Entrepreneurship Competition
  - Dozen startups my year; continue on Board
- Co-Creator, half-dozen MIT ventures classes
  - E.g. Development w/ Pentland, Revolutionary w/ Boyden
- Co-Leader, MIT Founders Project ~ Global Alumco Census
  - Published 1997 as *MIT: Impact of Innovation* by BankBoston
- Ex-Board Member, MIT Enterprise Forum Global & Cambridge
- Co-Founder, MIT Legatum Center for Development & Entrepreneurship
- Co-Creator, Howtoons DIY media venture
  - Educational cartoons w/ Griffith & Dragotta
- Co-Founder, TechLink, Innovation Club, Sustainability@MIT, Tech Testbeds/Living Labs, Scaling Development Ventures

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## MIT 100K Newcos My Years

MIT ENTREPRENEURSHIP COMPETITION



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## My Killer Mistake(s)...

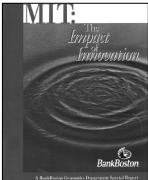
- **Alone** on 8 (eight) MIT \$100K Entries, 0 (zero) wins
- **Solo** running MIT \$100K Competition, growth but modest and an overwhelming responsibility
- **Alone** on promoting first big event (20 of hoped for 200 showed up; pre-ordered dozens of pizza's; I ate leftovers for a month)
- **Solo** on hosting first IAP classes (w/ 3 attendees)

...i.e. *\*not\* effectively connecting and collaborating!*

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## MIT Founders Project

### Quantifying Alumni Venture Impact



**In 1997**  
4,000 companies  
> 1 Million employees  
~\$250 Billion sales

**Today**  
Over 25,800 active companies  
> 3.3 Million employees  
~\$2 Trillion world sales

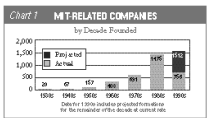


Chart 1: MIT-RELATED COMPANIES by Decade Founded

Expected: 1970-1990 (1,000), 1990-2010 (1,500)  
Actual: 1970-1990 (1,000), 1990-2010 (1,500)

Source: MIT Office of News and Public Affairs, <http://web.mit.edu/newsoffice/founders>

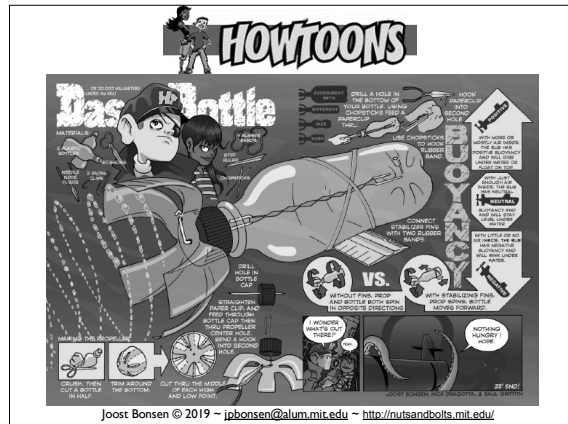
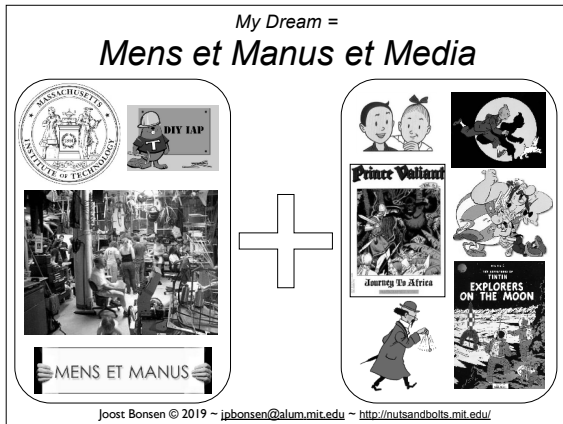
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## MIT Alumni Venture Exemplars



~ US\$ Hundreds of Billions in Market Valuation

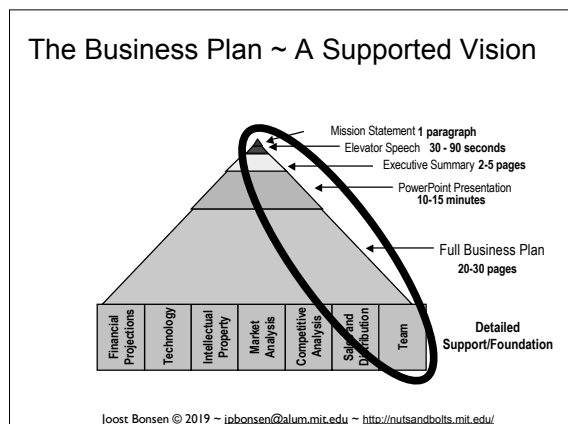
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## Today ~ Engaging People!

- Why Care?
- Networking
  - Team, Customers, Investors, Supporters, etc.
- Advisory Boards & Professional Counsel
  - Personal & Organizational
- Teambuilding
  - Styles & Complementary Skills & Strengths
- Formalization of Venture
  - Equity & Roles & Phases
- Failure Modes
- Helping Others

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- What Should Be In A Business Plan?  
-Executive Summary (continued)

- **The Executive Summary tells**

- Who you are
- What your strategy/vision is
- What you are doing and/or propose to do
- What is the market
- How many \$\$\$ do you need and what will you do with them
- What your **SUSTAINABLE COMPETITIVE ADVANTAGE** is
- When the reader is finished he or she should be able to tell someone what you are up to.

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- What Should Be In A Business Plan?  
-Executive Summary (continued)

- **The Executive Summary Should Contain:**

- Description of the Business Concept and the Business
- The Opportunity and Strategy
- The Target Market and Projections
- The Competitive Advantages
- The Economics, Profitability and Harvest Potential
- **The Team**

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- What Should Be In A Business Plan?

- **Appendices**

- Separately Bound Volume
- **Resumes of Principals**
- Product Literature
- Trade Press/Business Press
- Patents (front page)
- Testimonials Letters
- Technical Information
- Confidentiality
- Technical person to technical person discussion

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- **Fine Tuning/Targeting the Plan**

- **Have an Independent Reader Review the Plan**

- One or more independent readers for feedback:
  - » Retired industry pro?
  - » Customer(?)
  - » Consultant?
  - » Professor?
  - » Accountant- yes definitely
  - » Lawyer- yes definitely

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### The Business Plan As A Financing Document

- **MAKING THE FIRST CUT**

- An Idea Too Good To Ignore
- A Financial Promise Too Good To Turn Down
- **A Team Good Enough To Believe**
- An Action Plan That's
  - » Credible
  - » Focused
- Details That Give Assurance of Insight, Commitment and Follow Through
- Format and Style That Show
  - » Passion
  - » **Sanity**

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### The Business Plan As A Financing Document

- **WHY PLANS FAIL THE FIRST CUT (cont.)**

- Action Plan Not Credible
  - » Too Optimistic
  - » Naïve About The Hurdles
  - » Runs Off In All Directions
  - » Not Ambitious Enough
  - » Regulatory Barriers Insufficiently Addressed
  - » Gaps Filled By Handwaving
  - » **No Promises At All**
  - » **Team Not Credible**

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# Key Founder Connections

*Founders, Builders, Leaders  
Employees  
Advisors, Investors...*

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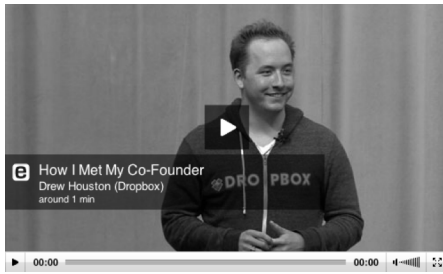
## Who Else do you Need?

- Self Assess: Strengths & Weaknesses
- What/who complements you?
- Archetypes: Hustler & Hacker (& Hipster); the Quant & Poet; Sales vs Ops; Vision vs Execution; Inward-facing vs Outward; Idea vs Experience (e.g. Google), etc
- More than just co-founders, seeking to build extended team, repeatedly, over time...

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## Dropbox Founding Team

- Drew Houston on meeting co-founder  
- <http://ecorner.stanford.edu/authorMaterialInfo.html?mid=2986>



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invent



"In 1939 Hewlett and Packard established their enterprise in Packard's garage. A coin toss decided their company name -- the result was the Hewlett Packard Company. Their first product was a resistance capacity audio oscillator, based on Hewlett's graduate work (at MIT), which Walt Disney Studios purchased to produce Fantasia."

<http://nutsandbolts.mit.edu/network/william-hewlett-and-david-packard/>

The best way to find creative people, he said, was by "establishing an environment that fosters creativity and observing who flourishes."  
--Bill Hewlett

<http://www.mit.edu/~109/hewlett/>



Packard & Hewlett @ Garage

with Mentor Fred Terman

<http://www.hp.com/us/en/hp-information/about-hp/history/hp-garage/hp-garage-timeline.html>

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## Fred Terman & Stanford Research Park

- Learned from MIT's Vannevar Bush
- Thoughtful strategy of co-orchestration
- Encouraged alum ventures and more
- Many intertwined relationships



El Camino & Page Mill Road  
<https://otl.stanford.edu/documents/USstanfordpark.pdf>



~3km2, 10mft2, ~25Kpeople

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## Shockley → Fairchild



Nobelists Shockley, et al



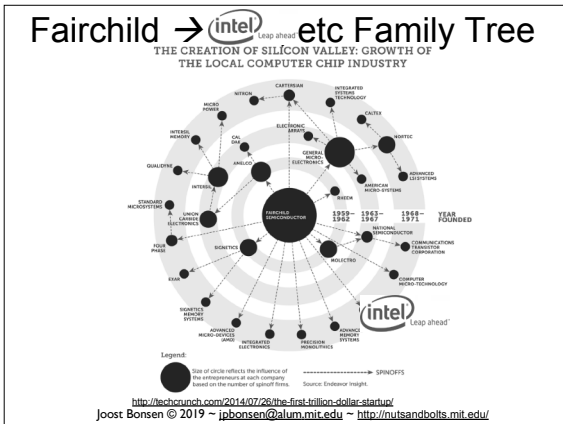
391 San Antonio Rd  
Shockley Semi HQ



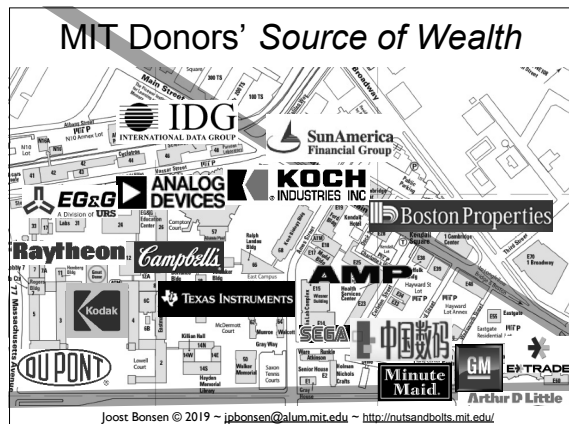
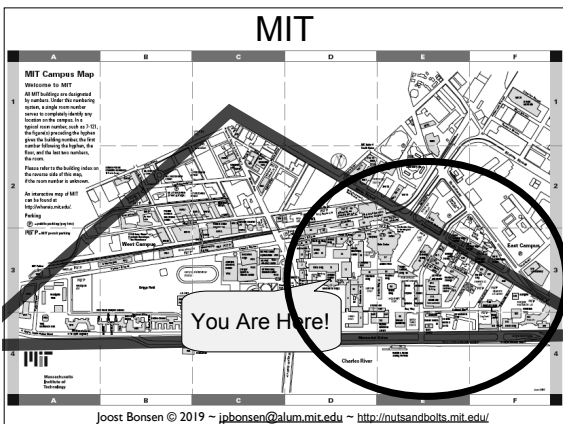
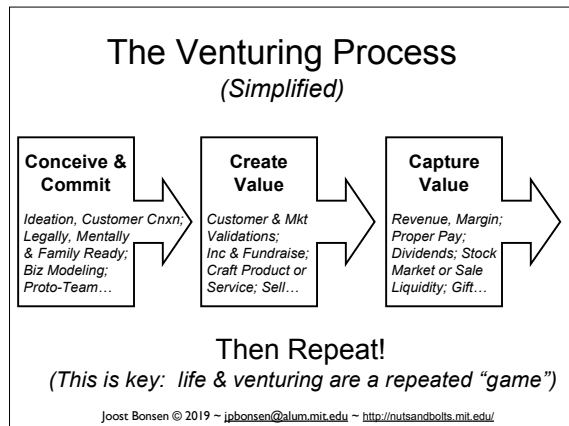
Inspiring Fairchildren...

<http://www.computerhistory.org/semiconductor/companies.html>

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- ### MIT-Related Founding Team & Key Supporter Cases
- BOSE
  - Analog Devices
  - Digital Equipment
  - Teradyne
  - Akamai
  - Direct Hit (Ask)
  - Silicon Spice (Broadcom)
  - Gillette (P&G)
  - AT&T (Bell System)
  - CTR (IBM)
  - Virtual Ink/MIMIO (Sanford)
  - Mok3/EVERYScape
  - ... You?
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## Beyond Startups, Founders...

- Volunteer on Boards, Trusteeships, etc
- EIRships, do it again w/ Nextco's
- Investors w/ Operational Cred
- CXO's at established firms
- Advise Nextgen
- Shift to politics or other civil service etc...

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## Alternatively...



<https://www.virgin.com/richard-branson/how-i-bought-necker-island>

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## Venture Networking

*Key connection-making,  
developing social capital, building  
on weak ties in social network*

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## Networking ~ With Who, Why?

- Teammates
- Temp Collaborators
- Customers
- Distributors
- Complementors
- Suppliers
- Supporters
- Partners
- Advisors
- Investors
- Reporters
- Regulators
- Current Competitors
- Potential Competitors

*For some, especially the sociable, this is easy and natural. For many of us, however, this is awkward, a bit painful and getting good at it requires overcoming distaste and repeat practice.*

*Professional connection-making  
-- i.e. Networking -- is WORK!*

...

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## Networking ~ Macro Tips

- Everyone is Potentially Relevant ...even Indirectly
- You are only a Few Degrees of Separation ...from anyone important to your plans
- Better to Share Idea than Keep Secret
- Take Notes of Suggestions
- Orchestrating Serendipity
  - Fortune favors the prepared & persistent!
  - You (often) make (or maximize) your own luck!

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## Networking ~ Micro Tactics

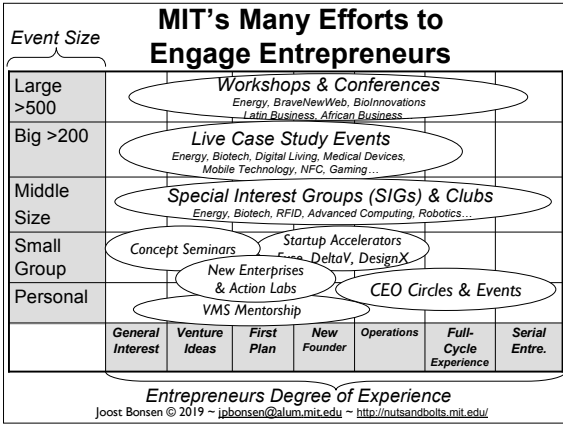
- Contact Card (Even in Mobile/Digital age)
- Elevator Pitch ~ Pithy variations
- Schmooze Events
  - Muddy Charles Pub, Interest Group Socials, etc
  - Ask the Host for Help
  - Strategic Spots in a Room
- Introduction Tips
  - (Even if don't remember names...)
- Write draft contact email for your connector
- Compose emails to maximize response likelihood

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## Where Find People?

- Word of mouth
  - Dorm, FSILG, living group connections
  - Department & Program links
  - Alum ties
  - Colleagues & friends of classmates
  - Innovation Ecosystem activities & people
- IAP & Regular Semester Events
- *Lab, Classes, Extracurriculars*

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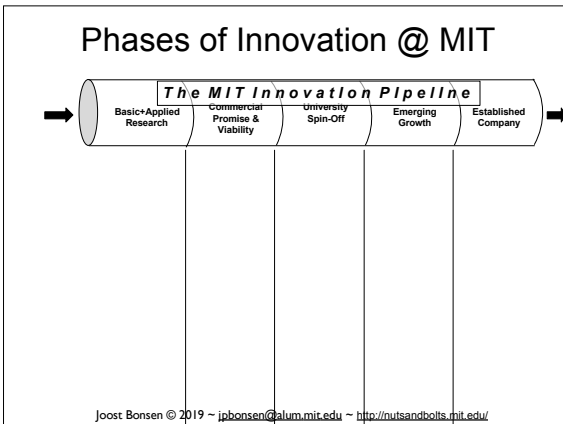


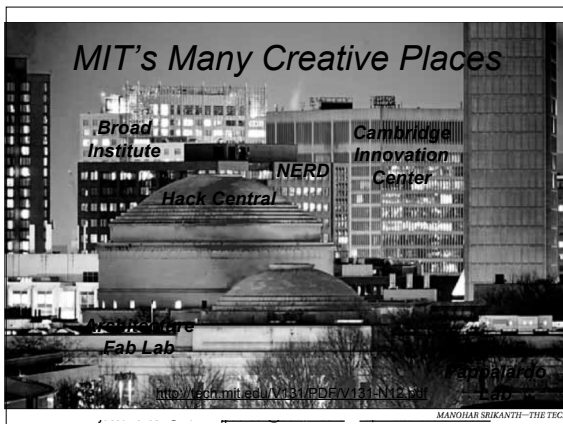
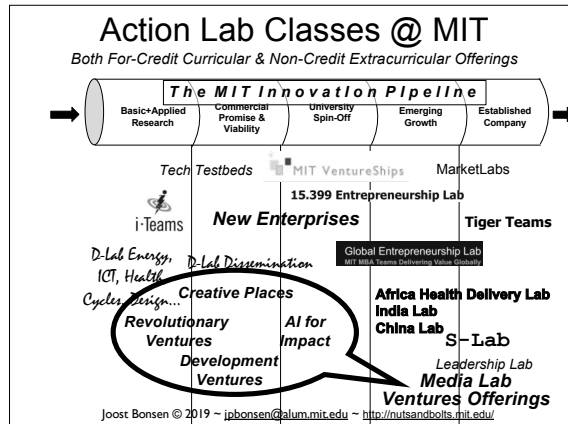
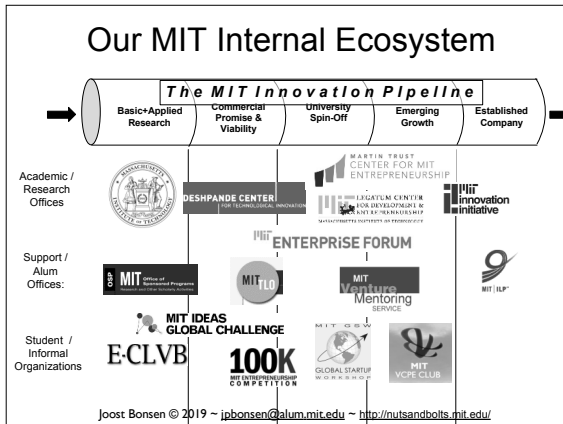
<http://news.mit.edu/2017/the-engine-closes-first-fund-150-million-0406>  
<http://news.mit.edu/2017/the-engine-announces-investments-first-group-startups-0919>  
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## Harvard's I-Lab

<https://i-lab.harvard.edu/>  
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Applications For Spring Session Are Now Open!  
<https://startx.com/>  
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### Invention Parties @ MITERS

MIT Exploratory Research Space for Students  
Right Below+Next To MIT Museum

Many MIT Spinoffs born here including...

- Z Corporation
- Howtoons
- Makani Kitepower
- Instructables

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### Hackathons

- Medicine
- Arts
- AI
- Breastpump
- Respiration
- Electric Vehicles
- AR/VR
- IoT
- ...etc

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## the muddy charles pub

142 memorial dr @ MIT

- Neutral Zone @ MIT between Science, Engineering, Arts, Business
- Dozens of Clubs, Events, & Companies founded
- The Original Venture Café!



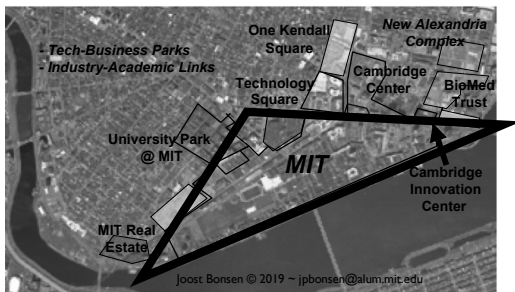
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## Networking ~ Digital Tools

- Alma Mater Alumni Ties
  - MIT Infinite Connection
  - Harvard Alumni Directory etc
- LinkedIn & Facebook
- AngelList -- <https://angel.co/>
- ...
- What's your online presence?
  - Blog, Tweets, etc
  - Personal website & Authored Writings & News Stories
  - "They will Google you"

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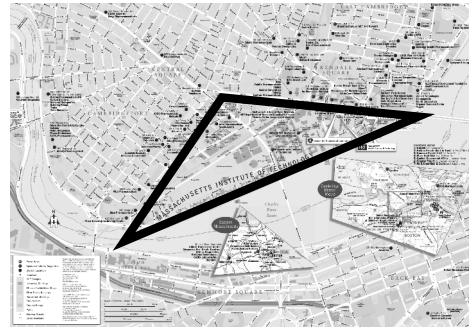
## MIT Technology Venture Zone



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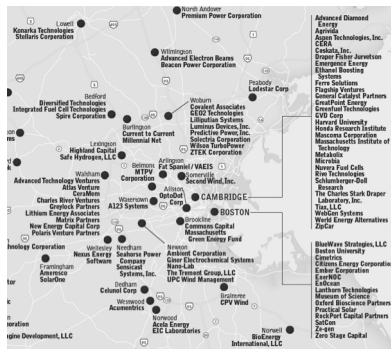
## Biotech Cluster



Source: MIT Entrepreneurship Center Greater Kendall Biotech Cluster Map

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## Cleantech Cluster



Source: MIT Entrepreneurship Center Boston Energy Map

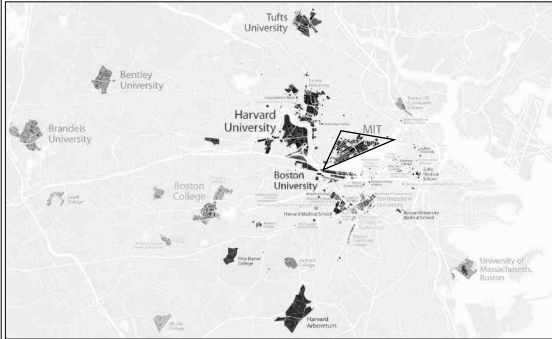
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## Other Boston Clusters

- Robotics & Automation
  - iRobot, Cyphy, Rethink, Kiva, Boston Dyn...
- Design
  - Design Continuum, IDEO,
- Urban Vitality
  - CIC, Courbanize, GraffitoSP...
- Gaming
  - Harmonix, Turbine...
- Shoes & Attire
  - New Balance, Saucony, Reebok, Ministry of Supply...
- Consulting
  - ADL, BCG, Bain, Monitor...

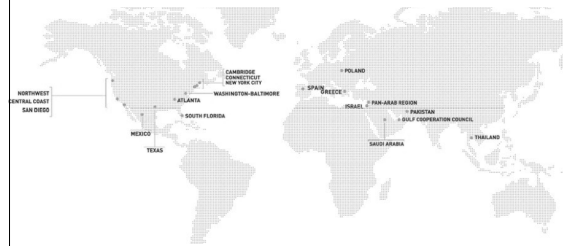
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## Boston Education Supercluster



Source: [http://www.radicalcadocracy.net/boston\\_campus](http://www.radicalcadocracy.net/boston_campus)  
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## MIT Enterprise Forum Global



<http://www.mitef.org/>

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## MIT Development Ventures Alumcos 2001-To-Date

Include...



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## Advisors, Mentors Coaches, ++

*Advice can lead to Money...*

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## Generational Ties



Steve Jobs & Bob Noyce  
<http://steveblack.com/2011/09/>



Steve Jobs & Mark Zuckerberg  
<https://www.gettyimages.com/detail/photo/the-celebrity-mentors-hub-and-mark-zuckerberg>

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## Advisors

- Board of Advisors
  - Personal
  - Organizational
- Extended Informal Network
- *Often better to seek advice than money...*

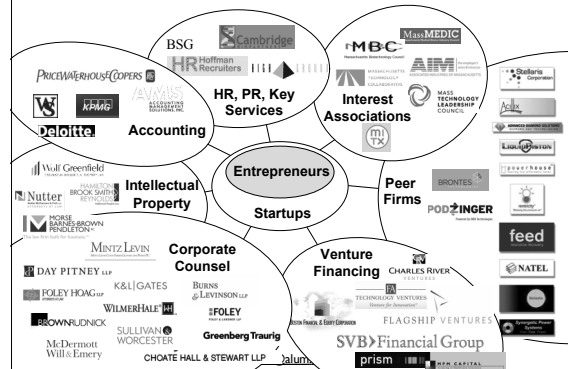
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## Other Counsel

- Legal
  - PR
  - Accounting
  - HR
  - Strategy
  - Market
  - Sales
  - ...
- Interview before choosing
  - Use the MIT connections networks...
    - MIT Enterprise Forum Global
    - \$100K Entrepreneurship Competition
    - Venture Mentoring Service
    - ...

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## Venture Network for Entrepreneurs



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## Teambuilding

*Concentric circles of connections,  
need for growth over time,  
organizing for scalability...*

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## Assessing Talent

- Seeking Red Flags
- Due Diligence
  - Not enough to just call References
  - Meet in Person
  - Call beyond listed References
  - Follow-up gaps in resume, what they don't mention
  - Seeking out things they're uncomfortable with
- Advisors assess and co-interview
  - Especially if unfamiliar roles and skills involved

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## Team ~ Plan Writing Tactics

- What is it about each team member that makes them essential
- Wordsmith bio & description to appeal to reader
- Who can you add as advisors?
  - (Get their permission!)

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## Choosing Co-Founder(s)

- Communicating frankly, constructively
- Goal alignment, Resiliency & Pivot-ability
- Agreeing on division of labor
- Complementary skills
- Experience together, ideally under stress
  - Stress Test Them...
- Getting to know people's strengths & weaknesses
  - (and live with the weaknesses)

*Co-founding a company is (a bit) like getting married*

<http://blog.eladgil.com/2012/02/how-to-choose-co-founder.html>

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## Iterate & Escalate!

*Use limited commitment mechanisms --  
e.g. class projects, extracurricular contests, etc --  
to get to know each other, including strengths and  
weaknesses, and develop trust and confidence  
over time.*

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## Phases of Commitment

- Role in our seminar, in \$100K, in other Ventures classes, for Incorporation and beyond...
- Agreement to escalate to full-business should be win-win or no-deal, probably at each juncture
- What's a realistic role in the venture?
  - CEO vs CTO vs Acting CEO
  - CTO vs Founding Engineer
- MIT \$100K Legalities
  - Risk of Premature Formalization

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## Failure Modes

*How things go wrong, how to  
avoid, how to deal with it...*

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## Team Challenges

- Agreeing on How to Disagree
- Founders Percentage Stakes
- Unrealistic Expectations
- Assessing talent from other domains of expertise
- Character Surprises

*...lets illustrate with examples*

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## Founders Shares

- All Equal
  - Microsoft ~ Allen & Gates
  - Midnight
  - Virtual Ink ~ Yonald + 4
  - Squid Labs
- One Dominant
  - Bose
  - IDG ~ McGovern
- Mix
  - Vast Majority
  - Proportionate to experience
  - Few rules of thumb

### Additional Nuggets

- Use of "Co-Founder" as Status Reward
- Usefulness of Everyone Vesting

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## Venture Divorce

- Font designers Hoefler & Frere-Jones in Nasty Split
  - <http://gawker.com/font-gods-hoefler-frere-jones-split-in-nasty-corporat-1503534833>
  - <http://www.scribd.com/embeds/200243509/content>



Inc. (HTF), presently known and operating as Hoefler & Frere-Jones. Their agreement was that Frere-Jones would contribute his name, reputation, industry connections and design authority, as well as certain fonts he had already developed and owned or would own when he left his former company (referred to as the "Dowry Fonts"), valued in excess of \$3 million, in exchange for half of Hoefler's equity in HTF and "his name on the door." Frere-Jones fully performed all of his agreed obligations, and he moved to New York to do so.

2. However, in the most profound treachery and sustained exploitation of friendship, trust and confidence, Hoefler accepted all of the benefits provided by Frere-Jones while repeatedly promising Frere-Jones that he would give him the agreed equity, only to refuse to do so when finally demanded.

Tobias Frere-Jones [was] "a long-time employee" and says his allegations "are not the facts and they profoundly misrepresent Tobias's relationship with both the company and Jonathan [Hoefler]." It goes onto say that the company will "vigorously defend itself against these allegations, which are false and without legal merit."

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## Core Team Disputes ~ *Real Cases*

- **Medevice** -- Inflated self-opinion; own-it-all
- **Officegood** -- Firing early bizguy; non-performance
- **Softbotics** -- Last-minute surprise disagreement
- **Chipco** -- Lawsuit for founder fee during funding
- **Softpix** -- VC & CTO gang to eject founding-CEO
- **Artco** -- Mission creep --> Dispute brewing over time
- **Winningco** -- Bailout, take % prize fund

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## Unrealistic Expectations & Practices

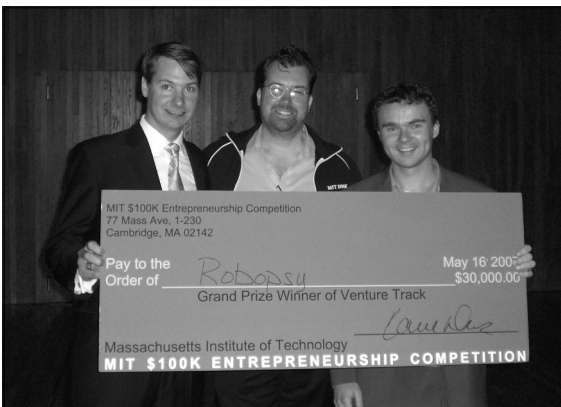
- Idea-person owns all (or Biz-person)
- Inexperienced people expect central role
- "Be my own boss" means bossing others around
- "We're all friends here"
  - ...or "we'll all be professionals here"
- Informally "verbally agree"
  - e.g. MIT \$100K Team on Prize Money Use
- Better put it in writing!

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## Resolving Disagreements

- Ideally have agreement on how to resolve disputes
- Plus agreement to unite behind a decision
- Various mechanisms
  - Trusted Third Party
  - Mediation / Arbitration
  - Howtoons chose Rock-Paper-Scissors!
- Our practical Negotiations 101 + Role Playing Game! Practice matters...

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## Final Thoughts

*Build towards a compelling vision,  
Help others do similarly...*

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## Culture Crafting

- Early decisions can be hard to shift from
- Poor hires fester unless cauterized
- Cultural habits are developed from beginnings of company
- Founders set the tone, have biggest influence
- Aspiring for and designing the company to scale

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## Help Each Other

- Suggest professional connections to friends & colleagues
- Send info links, tips
- Brainstorm around ideas, names
- Be early test users and proto-market feedback
- Be temporary teammate for class or \$100K
- Invest in the network and build relationships, financially or otherwise

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## Questions?

Joost Bonsen  
[jpbonsen@alum.mit.edu](mailto:jpbonsen@alum.mit.edu)  
<http://alum.mit.edu/www/jpbonsen>

...

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