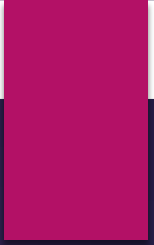




Negotiating for Entrepreneurs

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“...most ventures fail because of people issues and are really a failure of the relationships among the team members.”

- JOSEPH G. HADZIMA, JR.

CONSIDERATIONS FOR FOUNDERS:
ISSUES IN STRUCTURING RELATIONSHIPS AMONG MEMBERS OF THE FOUNDER TEAM (1994)

Agenda

- ▶ Negotiation
- ▶ Startup Negotiations
 - ▶ Co-founders
 - ▶ Intracompany
 - ▶ Intercompany
- ▶ Debrief

Negotiation Schools

- ▶ Competitive
 - ▶ Win/Lose
 - ▶ Zero sum game
 - ▶ May sacrifice relationship for an outcome
- ▶ Interest based (“Getting to Yes” – Fisher/Ury)
 - ▶ Negotiation is a joint problem to solve
 - ▶ If we could meet each others’ interests, we’d both be better off
 - ▶ More relationship oriented

Interests

- ▶ Why do you want what you want?
 - ▶ Needs
 - ▶ Goals
 - ▶ Desires
 - ▶ Hopes
 - ▶ Fears
 - ▶ Concerns
- ▶ Interests lead to options



Positions

Interests



Options



Startup Negotiations

- ▶ Between Founders
- ▶ Within the company
- ▶ Outside your organization

Negotiations between Founders

- ▶ First Questions
- ▶ Founders Agreement
- ▶ Team Agreement

First Questions between Founders

- ▶ Why are you doing this?
- ▶ What does success look like?
- ▶ What are you giving up to do this venture?

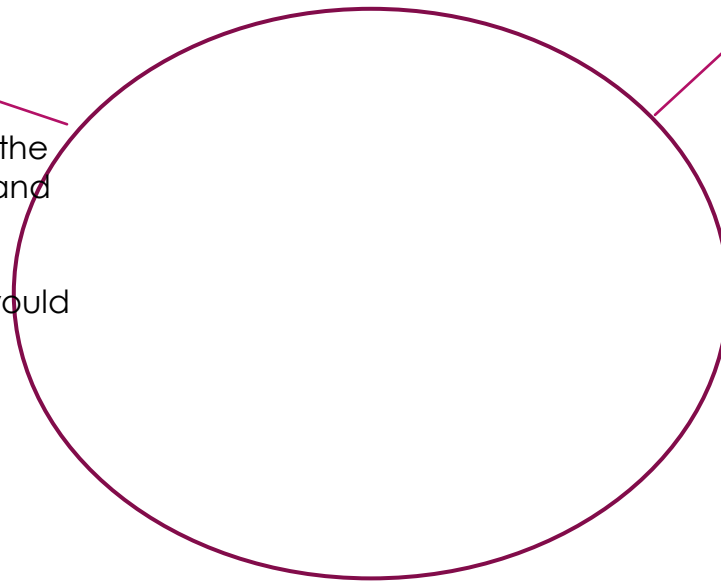
First Questions between Founders (continued)

- ▶ Honest Assessments
 - ▶ What skills do we each bring?
 - ▶ What are our personalities?

Circle of Interests

Founder 1

- Want to be a successful entrepreneur
- Learn what it takes to be a successful entrepreneur
- Show how a successful venture can change the format or help a certain section (of people) and be a profitable company
- Want to make a difference in someone's life
- Have handled a lot of technical issues and would feel comfortable using these skills in a startup



Founder 2

- Trying to solve a problem that's been identified but not yet solved
- Learn about tech, "I don't know about tech but I wanted to challenge myself with something that would generate revenue and I would learn about tech."
- Challenge myself to learn something I know nothing about
- Good at detail and execution
- Want to keep expanding skills

Negotiations between Founders

- ▶ First Questions
- ▶ Founders Agreement
- ▶ Team Agreement

Founders Agreement

- ▶ IP/Asset ownership
- ▶ Individual contributions
- ▶ Equity discussion
- ▶ What happens if one founder leaves

Negotiations between Founders

- ▶ First Questions
- ▶ Founders Agreement
- ▶ Team Agreement

Team Agreements

- ▶ Agreement on how your team will work together
 - ▶ The type of corporate culture you want to create
 - ▶ What roles are required for the company
 - ▶ How decisions will be made
- ▶ Provides structure for discussions

Team Agreements - Culture

- ▶ Common purpose and goals of the team and company
- ▶ Company ethics – “Don't be evil.” - Google
- ▶ Expected Individual behaviors from team members
- ▶ Team Interactions
 - ▶ Communication methods
 - ▶ Planning and meetings
 - ▶ Information sharing and collaboration

Team Agreements – Roles/Accountability

- ▶ Roles on the team
 - ▶ Who's responsible for what?
 - ▶ Changes over time
- ▶ Accountability
 - ▶ To whom?
 - ▶ How managed/documentated?

Team Agreements - Decisions

- ▶ How will the team make decisions?
- ▶ What will you do if you disagree?

Founders Agreement Negotiation – Role Play

- ▶ Inventor – Sandra
 - ▶ PhD
 - ▶ Invented an inexpensive way to process crude oil
- ▶ Students
 - ▶ Want to enter 100K competition

Overview

- ▶ Sandra has a prototype, but it can only process 1 cup of crude at a time.
- ▶ Several undergraduates heard about this invention and were introduced to Sandra. They hit it off and somehow it was decided to enter the 100K competition and perhaps start a company.
- ▶ The relationship between the inventor and the undergraduates was never documented but the undergraduates began working intensely on writing a business plan.
- ▶ They didn't stop there, though, they made connections with executives at large oil-processing companies, who, of course, were very interested in the invention.
- ▶ They put in a tremendous amount of time in this venture, sometimes to the detriment of their regular class work.
- ▶ Just before the competition, however, Sandra is thinking about pulling out, saying her invention isn't ready. This would leave the students disappointed and frustrated that all their work has been for nothing.

Sandra's Point of View

- ▶ Sandra's invention could only process one cup of crude at a time and she isn't sure how to scale it up or even if the process is scalable.
- ▶ She has no written agreement with the students and she isn't even sure that students are capable of starting a company.
- ▶ In the end, though, it is HER invention and she feels that she can decide what to do with it.

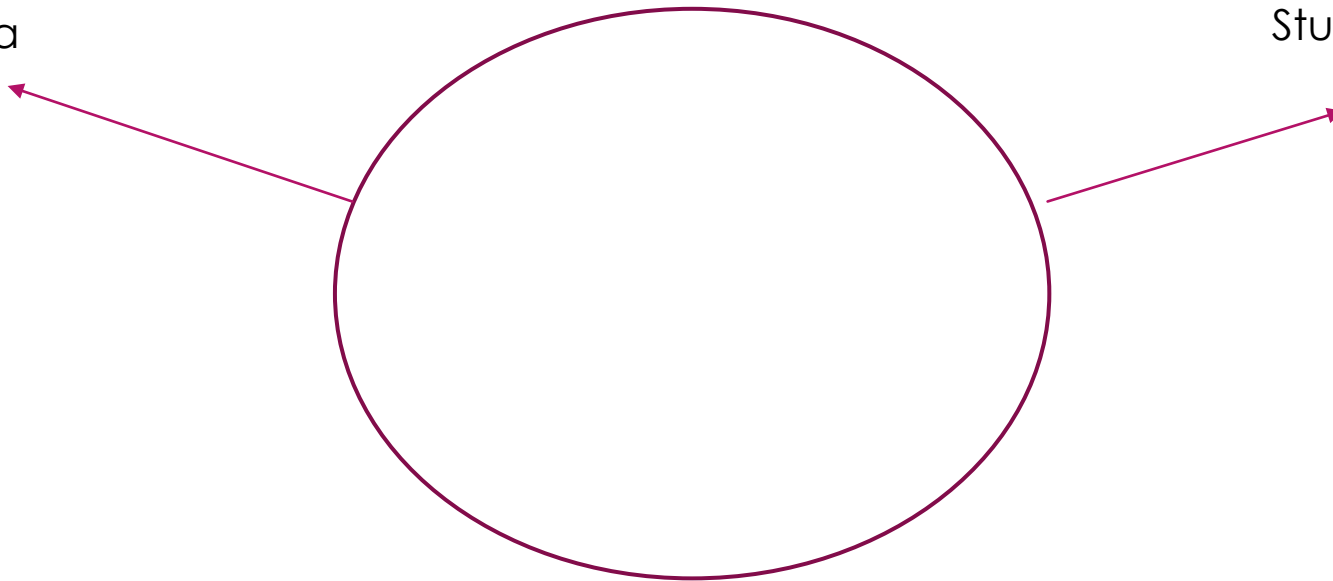
Students' Point of View

- ▶ They are in awe of Sandra. She has a PhD AND has invented something that could be really useful (and profitable).
- ▶ They are hesitant to bring up uncomfortable subjects, like agreements, with her, assuming that it will all work out after they've proven to her how much effort they are willing to put in to make the company a success.
- ▶ They can't understand her reluctance to move forward faster. When they get a company executive interested, she doesn't seem that excited to speak with them.
- ▶ Also, she doesn't seem to really want to show her invention to anyone, even though from the outside, it just looks like a black box and no one would be able to see the inside process.

Sandra and Student Interests

Sandra

Students



Sandra and Student Interests

Sandra

- Wants to control her IP
- Needs to know students have required expertise in running a company
- Wants to protect IP – wants assurance of non-disclosure
- Wants clear understanding of students' interests
- Preserve her reputation
- Stay out of limelight
- Wants to make sure it's scalable
- Doesn't want to run a business, just invent things
- Wants to ensure students will stick around (after graduation)

Students

- Get experience writing a business plan
- Get experience starting a company
- Career path with company
- Make money
- Learn about the technology
- Bringing new technology that will help the world
- Be part of something larger than themselves
- Learning to talk to executives at large companies

Agreements

Negotiations within a company

- ▶ May have more than 2 parties
- ▶ Difference in “power levels”
- ▶ May have legal ramifications
- ▶ May require another level of confidentiality

Example: Judy wants to apply for promotion to Marketing Manager

Company Interests

- Revenue Generation
- Wants effective leadership at all levels
- Wants to grow employees
- Wants to have more diversity
- Wants more client projects

Manager Interests

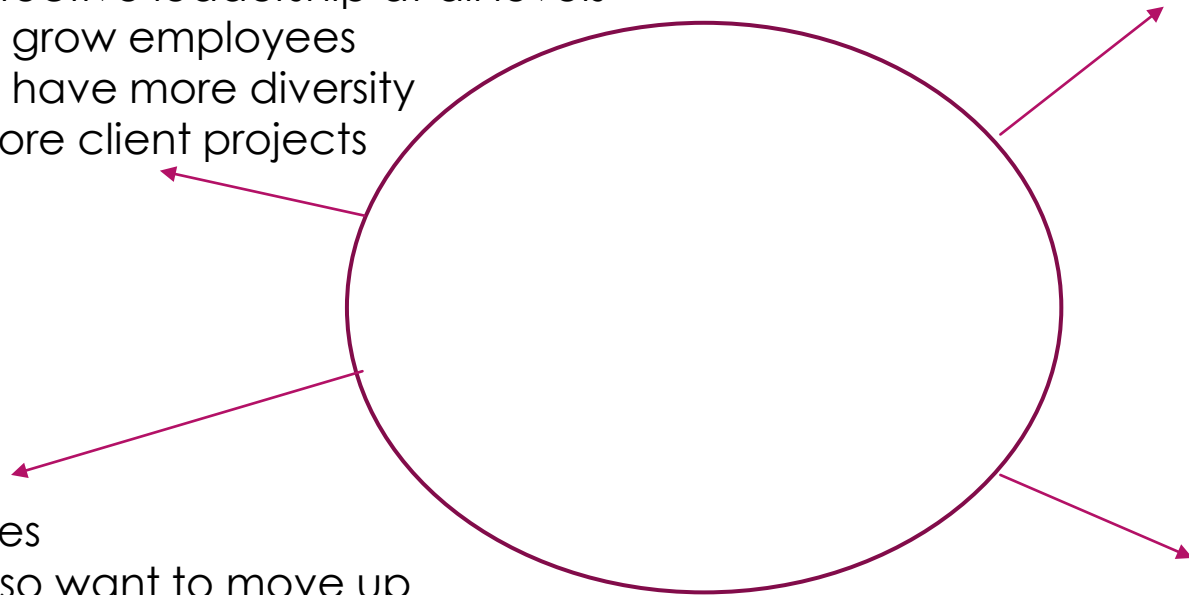
- Wants to look effective
- Growing employees looks good
- Needs to get all the work done

Judy Interests

- Wants to contribute more
- Wants to be seen as competent
- Wants to start supervising others
- Wants to be part of a high achieving team
- Wants more challenging work
- Wants to use newly gained skills

Teammates

- May also want to move up
- Want to be seen as good employees
- Want to be a good/effective team



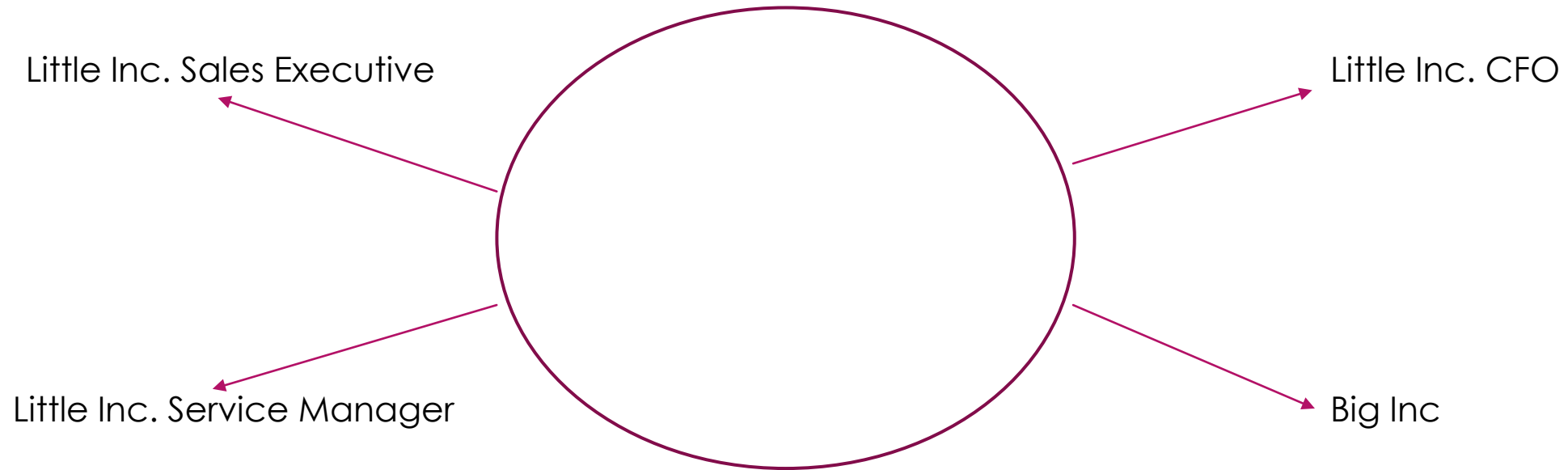
Marketing Responsibilities

- ▶ Brand Message
 - ▶ Why we do what we do
 - ▶ What We do
 - ▶ How we do it
- ▶ Corporate Image
 - ▶ Logos
 - ▶ Color Palettes
 - ▶ Design styles (i.e. business card template, brochure template, etc.)
- ▶ Market Present
 - ▶ Corporate website
 - ▶ Social media platforms
 - ▶ Partner co-marketing
 - ▶ Industry memberships
- ▶ Thought Leadership
 - ▶ Technical Articles
 - ▶ White Papers
- ▶ Sales Enablement
 - ▶ Case Studies
 - ▶ Custom landing pages
 - ▶ Sales Presentations
 - ▶ Product sheets
 - ▶ Market sheets
 - ▶ Trade Show event prep and management
- ▶ Lead Generation
 - ▶ Sales database building, management, and tracking
 - ▶ Email marketing
 - ▶ Inbound/content marketing
 - ▶ Outbound marketing
 - ▶ Advertising and promotions
- ▶ Website
 - ▶ Design and layout
 - ▶ Information hierarchy
 - ▶ Content management
 - ▶ Tracking and reporting
- ▶ Marketing Strategy
 - ▶ Annual MKT plan
 - ▶ Budget development/management
 - ▶ Tracking and reporting
- ▶ Customer feedback
 - ▶ Customer pre-sales/post-sales surveys
 - ▶ Gather customer feedback
 - ▶ Feedback to development, customer service, sales

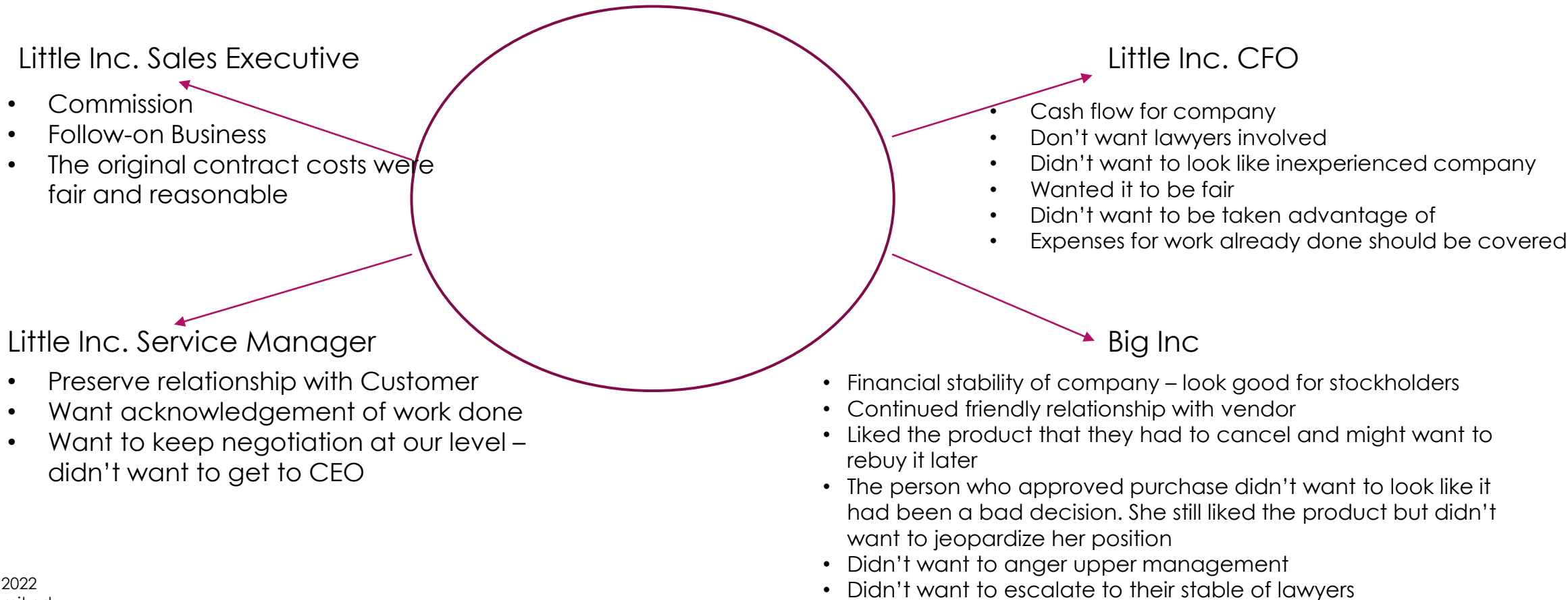
Negotiation between Companies - Big Inc. vs Little Inc.



Big Inc./Little Inc. Interests



Big Inc./Little Inc. Interests



Summary

- ▶ Startups
 - ▶ Make sure you understand the interests of the other founder(s)
 - ▶ Document your decisions! (and reasons for those decisions)
 - ▶ Review agreements periodically as part of your process
- ▶ Negotiations - Prepare! Prepare! Prepare!
 - ▶ What might be the interests are for all parties involved.
 - ▶ What might meet your and others' interests (your solution space)
 - ▶ During the negation, listen carefully to hear interests

Debrief: Lessons Learned



Thank you

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