

_The founder's dilemma

_don't forget

ASSETS

DEBT

EQUITY

The entrepreneurial venture
needs capital

Would you rather receive
debt or equity? Why?

_The founder's dilemmas

The Founder's Dilemmas:
Anticipating and Avoiding the Pitfalls That Can Sink a Startup
by Noam Wasserman

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“It explores the challenges that entrepreneurs face when starting a company, including personal conflicts and team dynamics. It offers insights and solutions to navigate these obstacles and build a successful business.”

Rich vs. King

Maximizing control vs. Maximizing wealth
("king") ("rich")

assumption: money can buy time

*key decision to make: decision-making power or scaling
what's your business? Customer profile?*

_Founder's Equity Split

Dilution of ownership vs. Control over strategy

_Founder's Equity Split

Dilution of ownership vs. Control over strategy

Wasserman highlights the tensions that arise from dividing equity among co-founders, investors, and early employees. Founders must weigh the benefits of capital infusion against the long-term cost of losing control.

_Founder Transition

Professional CEOs vs. Founders

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Professional CEOs vs. Founders

One of the toughest dilemmas arises when external investors push for a professional CEO to replace the founder, especially as the company scales. Founders may have to decide between maintaining control and maximizing the company's chances of success by bringing in experienced leadership.

_Timing of External Investment

Bootstrapping vs. External funding

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Wasserman advises founders to be mindful of the timing—seeking funding too early or too late can have significant consequences on the business's trajectory.

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Early-stage funding vs. Late-stage funding

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Early-stage funding vs. Late-stage funding

Founders should also consider the stage at which they seek external capital. Early-stage funding may involve greater risk for both sides, while late-stage funding typically demands a more proven business model and traction.

_Investor-founder fit

Alignment of expectations

_Investor-founder fit

Alignment of expectations

Wasserman stresses the importance of investor-founder fit, ensuring that both parties are on the same page about growth timelines, exit strategies, and levels of involvement.

_Investor-founder fit

Smart money vs. Dumb money

_Investor-founder fit

Smart money vs. Dumb money

External investors bring more than just capital; they bring expertise, networks, and sometimes strategic guidance. Founders should be careful to choose investors who add value beyond financial resources.

To come:

✓ Impact investment

See you on next session :)