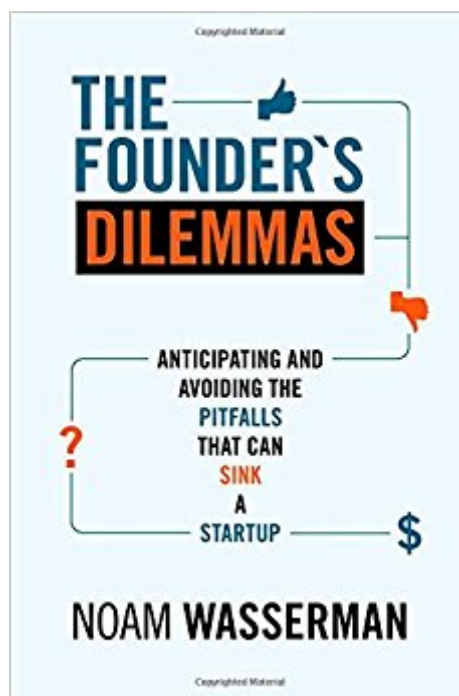




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# The Founder's Dilemmas: Anticipating And Avoiding The Pitfalls That Can Sink A Startup (The Kauffman Foundation Series On Innovation And Entrepreneurship)



## Synopsis

Often downplayed in the excitement of starting up a new business venture is one of the most important decisions entrepreneurs will face: should they go it alone, or bring in cofounders, hires, and investors to help build the business? More than just financial rewards are at stake. Friendships and relationships can suffer. Bad decisions at the inception of a promising venture lay the foundations for its eventual ruin. *The Founder's Dilemmas* is the first book to examine the early decisions by entrepreneurs that can make or break a startup and its team. Drawing on a decade of research, Noam Wasserman reveals the common pitfalls founders face and how to avoid them. He looks at whether it is a good idea to cofound with friends or relatives, how and when to split the equity within the founding team, and how to recognize when a successful founder-CEO should exit or be fired. Wasserman explains how to anticipate, avoid, or recover from disastrous mistakes that can splinter a founding team, strip founders of control, and leave founders without a financial payoff for their hard work and innovative ideas. He highlights the need at each step to strike a careful balance between controlling the startup and attracting the best resources to grow it, and demonstrates why the easy short-term choice is often the most perilous in the long term. *The Founder's Dilemmas* draws on the inside stories of founders like Evan Williams of Twitter and Tim Westergren of Pandora, while mining quantitative data on almost ten thousand founders. People problems are the leading cause of failure in startups. This book offers solutions.

## Book Information

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Winner of the 2014 Entrepreneurship Practice Award, Entrepreneurship Division of the Academy of Management  
Winner of the 2013 Silver Medal Book Award in Entrepreneurship, Axiom Business  
Finalist for the 2013 George R. Terry Book Award, Academy of Management"[A] seminal work. . . . Sure to be required reading in business school curricula, this illuminating and captivating read will also appeal to aspiring entrepreneurs or founders who want to make better decisions in existing ventures."--Publishers Weekly"[A] first-aid manual to help resuscitate ailing start-ups."--Jessica Bruder, journalist, author, and adjunct professor at Columbia University's Graduate School of Journalism, You're the Boss blog, New York Times"Wasserman illustrates his findings with real world examples that translate into immediately applicable advice. But rather than creating a prescriptive list of commandments that would be impossible to follow, he adopts a more holistic approach. Encouraging entrepreneurs to study how others have handled similar challenges in the past, his insights highlight the common ground found in seemingly unique situations."--ForeWord"Harvard Business School professor Noam Wasserman is one of the writers and teachers who best captures the high stakes decisions that entrepreneurs face every day."--Scott Kirsner, Boston Globe"There are plenty of books, lots with stories, anecdotes, and suggestions, but none that are particularly systematic about going through all of the issues. Noam's book is the first I've read--and he totally nails it."--Brad Feld, Feld Thoughts"[T]he definitive book on the topic. . . . If you are a founder or thinking about becoming one, you should read this book."--Dharmesh Shah, OnStartups.com"This is a serious book for a serious endeavor: creating a company from scratch that can be a world-beater and life-changer. . . . Wasserman's book is a towering guide to making these decisions thoughtfully and purposefully. Every founder should read it--and take the time to digest its rich data and lessons."--Jeff Busgang, Seeing Both Sides blog"Wasserman's book is on track to take as lofty a position in the entrepreneurial literature as HBS's Clayton Christensen's The Innovator's Dilemma did in the field of technological change."--Peter Cohan, Forbes"Highly recommended for those who plan to embark or are already living the entrepreneurial lifestyle, it can serve as a guide to very tough situations for founders to evaluate the best possible way out."--Bernard Leong, SGEntrepreneurs"Ten years of extensive research combined with winning case studies make this a trustworthy source not only for the potential startup owner but also for the classroom."--Library Journal"[A] must-read for anyone thinking of creating a startup, who is currently involved with one or who is an investor/advisor in the startup ecosystem."--Dilip James, Business Standard (India)"This book, upon release, becomes the single-most indispensable guide for founders of startups. Comingling research, straight talk, and a

human voice--so often lacking in books with an academic bent--Dilemmas totally rocks as a business school required read and a founder's gripping, absolute must-read. Turning the last page, anyone with an entrepreneurial femur in their body will be fully armed with a battery of knowledge that can make or break a passionate first or even fifteenth venture. Do not start a startup without this book."--Ted Sturtz, New York Journal of Books"[S]obering. . . . Professor Wasserman provides a great deal of data and stories about high-potential technology and life-sciences startups. His book offers much more information than most entrepreneurs can handle at once, but it is probably essential for them to know."--Harvey Schachter, Globe & Mail"Wasserman presents a series of entrepreneurship vignettes and case studies, drawn from a massive 10,000-founder survey he created. Due to the size of this business start-up survey, several of the stories, including accounts from founders of Blogger, Sittercity, and SmarTix, should prove fresh to readers. Much of the advice in the book governs key decisions founders have to make and factors that can cause decisions to turn out well or badly. . . . [T]his work includes valuable, unique content."--Choice"[A] uniquely valuable resource for any entrepreneur."--Terrence Murray, Financialist"The Founder's Dilemmas can't prevent entrepreneurs from repeating the mistakes of their predecessors; we all know how well human beings learn from history. But it's a worthwhile, prudent read for anyone considering or engaging in entrepreneurship. In pointing out the patterns, the common quandaries and routes, The Founder's Dilemmas can eliminate one headache along the path of business-building."--Tamara Micner, LSE Politics and Policy blog"The guru on this subject is Noam Wasserman, who wrote an insightful book called The Founder's Dilemmas."--Luke Johnson, BusinessDay

"This book provides the rare combination of practical advice and scholarly research. It gets to the heart of the people issues that can bedevil every, and I do mean every, startup. Issues such as founder motivations, equity splits, and equity control can make or break a company. I guarantee that the price of this book is approximately one-thousandth of what you'll pay lawyers to clean up your mess if you don't read it."--Guy Kawasaki, author of Enchantment and former chief evangelist of Apple"The Founder's Dilemmas is required reading for entrepreneurs, venture capitalists, and the professionals who work with them. Few entrepreneurs appreciate the far-reaching implications of decisions they need to make at the beginning of a startup venture. Most founders make these critical decisions based on their gut instincts; backed up by data covering ten thousand founders, Noam Wasserman shows that the most common choices made at the outset of a new venture are often the wrong ones. This book also shines a light on the difficult conversations that entrepreneurs need to have with their colleagues and with their investors, and makes plainspoken, commonsense

recommendations that facilitate this dialogue."--Pascal Levensohn, founding partner of Levensohn Venture Partners and member of the board of directors of the National Venture Capital Association (2007--2011)"The Founder's Dilemmas will change the way we think about the internal dynamics that can make or break startup companies. Drawing on substantial research and considerable insight into practice, Wasserman uncovers the inner lives of startups, exploring the personal and professional conflicts that founders encounter on their entrepreneurial journeys. His book will appeal to academics and practitioners alike."--Thomas Hellmann, University of British Columbia"The research that Noam Wasserman has assembled here can help entrepreneurial companies who want to prepare well for their future. The Founder's Dilemmas is a must-read for anyone thinking about starting a business."--Timothy C. Draper, founder of Draper Fisher Jurvetson"Looking at the real-life founder issues of many accomplished entrepreneurs, Noam Wasserman draws insights that are both universal and timeless. If you're thinking of starting a new venture, do your homework and read this first."--Jeremy Stoppelman, CEO and cofounder of Yelp"Noam Wasserman takes you through every major issue in a startup and shows you how to handle it in a prescriptive, logical way. The Founder's Dilemmas is for everyone thinking about starting a serious company, with their eye on a big prize, and for the people who invest in those companies."--Paul Maeder, chairman of the National Venture Capital Association, founder and general partner of Highland Capital Partners"If you're starting a new company, you probably already know that a crazy variety of land mines await you. What if you had a map that showed exactly where they are and how to avoid them? Wasserman's recommendations are backed up by rigorous research--a rare thing in books about entrepreneurship--and his stories and anecdotes serve as accessible illustrations of situations faced by thousands of companies. Having seen these dilemmas derail countless startups, I wish every entrepreneur and prospective founder would read this book."--Eric Ries, author of The Lean Startup"Every entrepreneur faces trade-offs when founding and growing their company. As we discovered at YouTube, those early decisions have far-reaching impacts and lead to unforeseen pitfalls down the road. Noam Wasserman uses vivid anecdotes and deep research to expertly outline the key early choices that define a startup, making The Founder's Dilemmas an invaluable alternative to real-world trial and error."--Chad Hurley, founder-CEO of YouTube"[A] wonderful book. . . . It's a must read before you have even one more discussion with anyone about starting a company with them."--Melinda Thomas, Entrepreneur-in-Residence for the City of New York"The Founder's Dilemmas fills an important gap in the entrepreneurship literature by providing an in-depth treatment of the people problems that confront all new business founders. Wasserman argues that people problems are responsible for a significant portion of startup failures, and that

entrepreneurs tend to underestimate their potentially dangerous long-term effects. In this pathbreaking book, he grounds the analysis of these problems in both richly textured case examples and rigorously developed concepts and theories."--Ari Ginsberg, director of the Berkley Center for Entrepreneurial Studies at New York University's Stern School of Business" This book offers a rich understanding of the central personal dilemmas that entrepreneurs uniquely face. These dilemmas are tied to particular choices for entrepreneurs that can have subtle and unexpected ramifications. I don't know of any other book that comes close to examining these specific and important issues."--Kathleen M. Eisenhardt, Stanford University, coauthor of *Competing on the Edge: Strategy as Structured Chaos*

Book is excellent. Within the first two pages of the introduction I was already learning a great deal of knowledge. Not as hard to understand as someone would expect. I would definitely recommend this to anyone interested in entrepreneurship, starting their own company/business, and someone looking to maintain their business and expand to the best of their ability.

Noam Wasserman provides a detailed analysis on the issues confronted by entrepreneurs. There is a nice database he uses to provide useful statistics. That said; not two businesses, products or services are the alike. The book does not provide a set of guidelines / cookbook to have a successful business. What it does is describe the pitfalls that one way or the other will be faced by a startup. Being an entrepreneur, having worked for a startup, small, medium and large companies I highly recommend this book not only for entrepreneurs but for executives in companies that wish to develop a new product / service and want to understand many of the issues they will encounter (people, product, etc).

If you are a founder, co-founder, or aspire to be a founder in the future. **YOU MUST BUY THIS BOOK.** This book covers decade of study on founding companies and the inside information on the problems that goes on during the founding times. If you are a founder, you probably asked yourself many questions like, "Do I start company with people close to me, or should I network with outsiders?" This book gives pros and cons of each answer to these type of intimate questions. With this book, you will not feel alone with things start going south during the startup stage. You will realize that many extremely succesful companies have had more puzzling times than you. I ask you again, are you a founder or looking to be one? Read this NOW.

If you have an idea for a business that you want to start but you don't have much money then you want to read this book. No, this book is not about raising money but about building your starting management team. You can't do everything yourself, so you need help to develop your idea and write your business plan. If you don't have much money then you need those people to work without a salary. This book is about picking those people and getting them started by sharing the ownership with them rather than paying salaries, initially. So what is a "Founder"? A founder is a partner (co-owner) who joins you at the very beginning and helps you turn your idea into a business. If you are going to have to raise money from professional investors then the first thing these investors will do is look at your management team. If you need money to hire your management team but you have to have a management team to get the money then you are in a "dilemma". This book is about starting your team without money.

It's a dry read that feels like it's been penned by a researcher rather than a professional author. Despite this, I gave it 5 stars because the information is absolutely impeccable. *The Founder's Dilemmas* is a must-read for aspiring entrepreneurs and those who have already done one startup and want to do another one, but without the mistakes this time. The book allows founders to go into startups with their eyes wide open to the choices they have at important junctures, and the implications of choosing one way or the other. It will also appeal to founders in the middle of building a startup who want to avoid the hiring and funding mistakes that have snared others. This book will give founders valuable information to both mitigate risk and maximise either wealth or control - but not both, as Noam Wasserman so convincingly tells us.

I bought this book because I am considering myself to start my own company. I have been following similar content on the Internet but this book has consolidated information backed by research evidence and provides a more comprehensive and unbiased picture on the subject than any resource you can find. The book goes through the different phases of a startup's life cycle, considers the different dilemmas founders have to address in each phase and provides guidelines for making those crucial decisions, analyzing their potential impact as well as why the optimal decisions would be different for individual founders dealing with similar situations. You may read individual accounts for successful or not so successful founders, trying to get as much as possible from them, but in this book a complete spectrum of different 'types' of founders is presented along with how their decisions can be optimized in the various stages of a startup's life. Many things can go really bad in a startup and the reasons why and how they can be avoided are analyzed. The book is basically

presented as a research report. There are research results presented as evidence and a multitude of references to the subject's literature. For someone who is not reading this book for research purposes, the style can be a little bit tedious but you are compensated by its objectivity and the valuable lessons and insight you will get. I highly recommend this book for anyone willing to start a business; I think it is a must for researchers on the subject and I also recommend it for anyone who has a general interest in startups.

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