

HOW TO DETERMINE IF YOU SHOULD WORK WITH A FOUNDER AND/OR INVEST IN HIM/HER? A 3-QUESTION TEST

From many years of working with entrepreneurs and startup Founders, I've seen a strong pattern of thinking from Founders about their idea, their vision, their rightful stake, and their willingness to share their pie, i.e. the company, with others who help them.

If you are thinking of taking the plunge with a Founder or founders, are there ways to know if you'll have a great experience or a bad experience?

I've come up with a 3 Question Test that should assist you in making that decision and framed them in visual ways you'll hopefully remember:

- 1) Does the Founder view his or her idea currently as a shiny marble or is it already the size of a basketball?
- 2) Does the Founder see the "David Statue" and "its original Marble Block" at the same time?
- 3) Is the Founder more interested in his "starting" Equity % as a decision driver than \$\$\$ at projected exit?

Please realize every startup situation is different. Your answers will be observational and subjective as you get to know the Founder or founding team. If the Founder "fails" one or all of these questions, it doesn't mean you should pass on the opportunity –just enter into it with open eyes.

QUESTION #1: DOES THE FOUNDER VIEW HIS IDEA CURRENTLY AS A SHINY MARBLE OR IS IT ALREADY THE SIZE OF A BASKETBALL?

I could also compare "an idea" and "a company with millions in sales" but the marble/basketball metaphor visually provides a better contrast.

Have you ever met a Founder who thought his company had a pre-funding value far exceeding the norm? In most cases, he is looking at the idea already as the size of a basketball, and almost never was it ever a marble. These founders already see the world as if their startup succeeded. They, however, may very well be under-appreciating the effort it will take to get there.

A Founder who views his startup as a Marble has a metaphorical base and foundation. This is really important as it, I believe, sets the right expectation for the Founder and all who get involved. This is also a strong signal, based on my meeting many entrepreneurs, that he understands the journey.

ASK YOURSELF after speaking with a Founder, what is his view of his new startup, today? Does he have a current healthy appreciation of being "just" a Shiny Marble? Does he recognize that it will take much

future hard work to turn his company into a Basketball? If Yes to both, then proceed to the second question – The David Statue Question!

Question #2: Does The Founder See The “David Statue” And “Its Original Marble Block” At The Same Time?

What do the David Statue and the Marble Block have to do with entrepreneurial endeavors? Actually, it’s a great metaphor to use in the context that Michelangelo used one giant piece of marble to sculpt the David Statue. What was his mindset before he started? Did he just have to chip away at this huge piece of marble and his intact masterpiece would appear! A widely circulated quote of his purports this sentiment. I see a different takeaway. Michelangelo had to have guts to sculpt such a big piece of marble where one slip of the chisel and suddenly David has 4 fingers, for example. To me, Founders have to feel the same about their new venture. They have to have the guts to make it happen, and to think big and audaciously.

When the Founder starts with his idea as a Marble, he is grounded in everything he does. He realizes his pre-funded idea is an idea –the Marble Block, itself. He has the guts to start chiseling this block towards creating his David. His chisel, again metaphorically, stands for the team he signs up, their sweat via hard work, multiple minimal viable products, luck, focus, planning and timing. As a result, the Founder should have a healthy appreciation of this effort made by all involved – one chisel at a time, and thousands of chisels to create his David.

ASK YOURSELF, when the Founder talks about what it will take to grow the business, does he have a big vision and also a healthy appreciation of what will be required (with help from others) to attain it?

QUESTION #3: IS THE FOUNDER MORE INTERESTED IN HIS “STARTING” EQUITY % AS A DECISION DRIVER THAN \$\$\$ AT PROJECTED EXIT?

How an entrepreneur answers the first two questions is eye opening, in itself, but particularly when the Founder talks about sharing the pie, i.e. giving up equity. His splits will shed additional truth to how he really thinks about getting help from others, and if you should get involved.

I recently met a patent owner. He believed he owned a \$10,000,000 Basketball (it was inferred). What I saw was that he owned a Shiny Marble –a patented idea not yet validated in the market and worth much, much less. Nevertheless, I was intrigued and pitched him about working together, via my technology commercialization consulting firm, and even on a pure success basis, if I could validate with my own experts his beliefs.

He looked at me and point blank said “why should I give you part of the revenues? Why do you deserve such a large sum of money?”

He failed Question #1. Had no appreciation of the effort required and failed Question #2. He finally failed Question #3 because he had no intention of giving up any part of his equity –after all, he already had created all the value by getting the patent. In his mind, he didn’t need help because it was inevitably going to happen. He’d find the licensee(s) and have 100% of the proceeds.

LET'S SUM UP ALL THREE QUESTIONS

Founders who do not want to share in the pie are expressing their true belief structure. They will always come first in all decisions. This is the underlying culture they bring to their companies. They start out with a strong belief in their David Statue already being the size of a Basketball, and do not have a healthy appreciation of what's required to get there. This deadly combination will show up in how they treat stakeholders and employees, i.e. very little equity at a very high valuation.

ASK YOURSELF, does the Founder understand he is giving up a piece of a "real" basketball that results after I, and others, have invested our own time and energy to help build? It was not a Basketball at the idea stage. It wasn't the David Statue, yet. It was a marble and a Marble Block. Does the Founder understand he may be giving up a healthy slice of the company, now at this early stage, for this assistance, but ultimately he'll be rewarded with far more \$\$\$ -- many more sized "Marbles" by giving up a greater equity slice of the future "Basketball?"