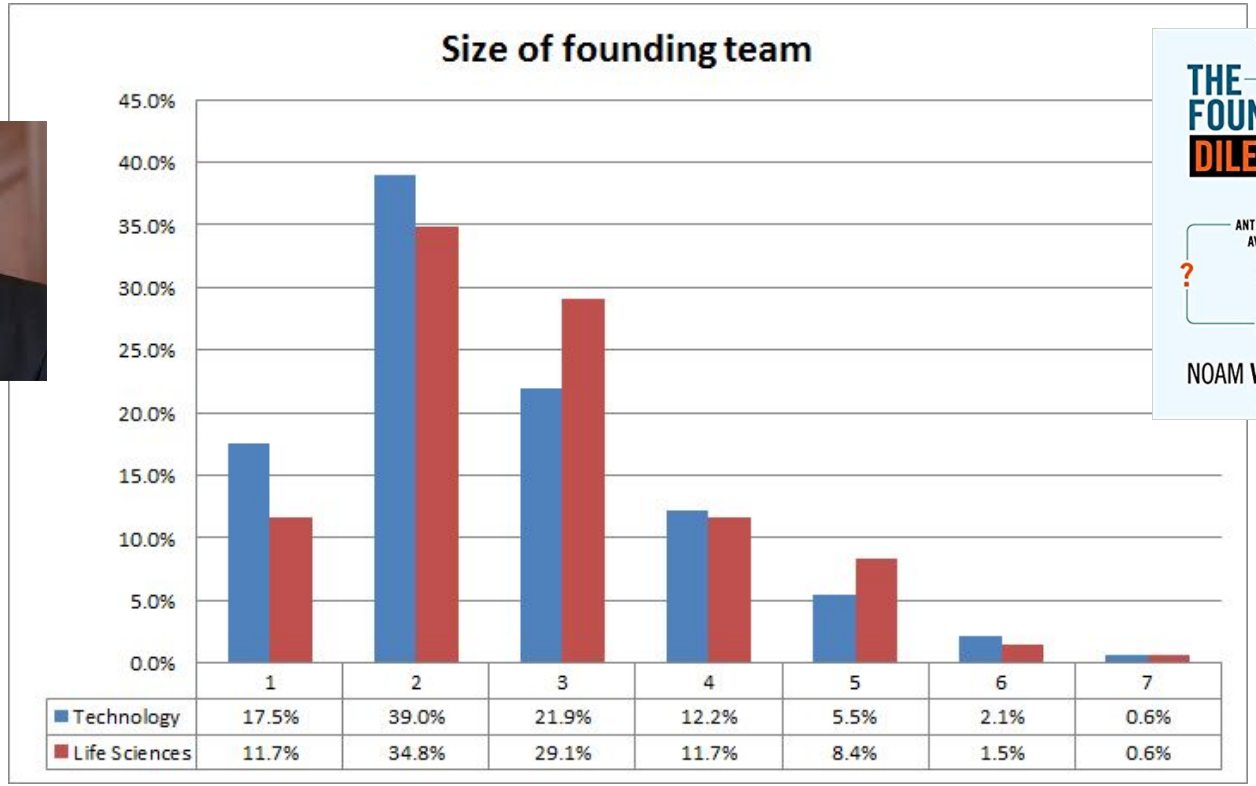
Founder Team Size and Equity Splits

ENET Panel - May 2023

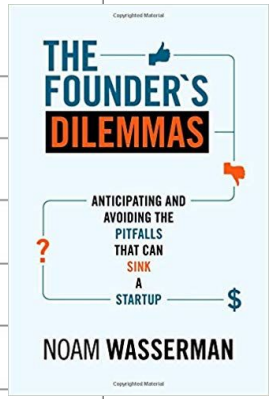
by Russ Wilcox
russ@pillar.vc

Copyright © Russ Wilcox 2023 – All Rights Reserved

The Founder's Dilemma - High-Potential Start-ups



	1	2	3	4	5	6	7
Technology	17.5%	39.0%	21.9%	12.2%	5.5%	2.1%	0.6%
Life Sciences	11.7%	34.8%	29.1%	11.7%	8.4%	1.5%	0.6%



Copyright © Russ Wilcox 2023 – All Rights Reserved

Noam Wasserman: Why People Found?

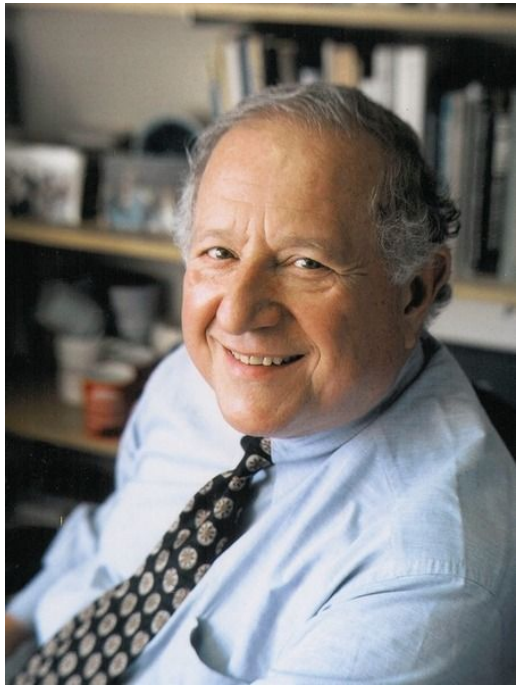
Typically wealth or control.

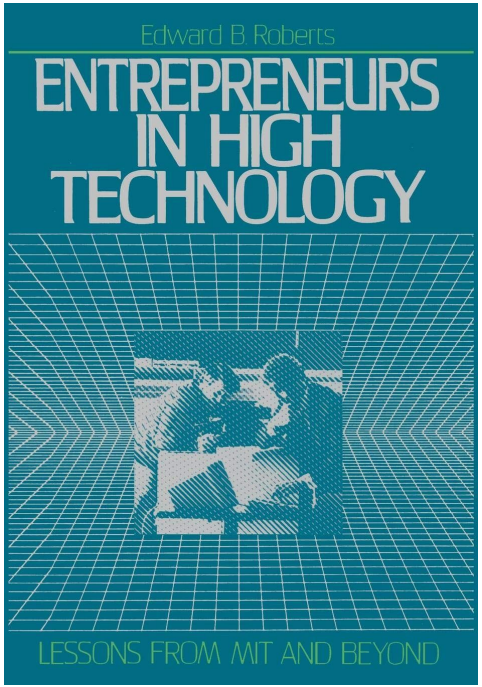
Control-driven founders should solo found, or pair with wealth-driven founders.

P.S. Avoid friends, relatives, or duplicative -- likely to leave later; painful!

Copyright © Russ Wilcox 2023 – All Rights Reserved

What Really Matters in Hard Tech?





Having one founder with Sales experience is associated with ++++ success!!!!

Copyright © Russ Wilcox 2023 – All Rights Reserved

What Is The Best Founding Team Size?

Copyright © Russ Wilcox 2023 - All Rights Reserved

Solo Founder: Superhuman (20%)

- Jeff Bezos (Amazon), Sara Blakely (Spanx)
- ⅓ of start-ups fail due to founder conflict -> you avoid the risk!
- You get to be in control BUT you have to do it all
- Big chance of burnout, underperformance
- If your gut feeling is wrong, no one there to save you!
- Good if: you are strong at attracting talented followers and delegating
- Repeat founders

Copyright © Russ Wilcox 2023 – All Rights Reserved

Example (1): Amazon

Vision: “earth’s biggest bookstore” // original name “Cadabra” // At DE Shaw, his boss asks him to research “Everything Store” idea; he sees potential for books and quits

One Founder: Jeff Bezos (30); inc. July 1994; sets up in Seattle to avoid sales tax. Recruits VP R&D Shel Kaphan (42) to move there from CA; sells him 5% for $5K (asked him to invest $20K more but he passed). Mackenzie helps part-time.

Pre-Seed - $10K from Bezos; $5K from Shel; $100K from parents; $84K loans

Seed - Bezos raised $1M in $50K pieces for 20% post (1% per unit). His parents took $150K more. A Seattle angel help him meet 60 people, to get 22 to say yes.

Nine months in development, then 3 months of beta with 300 test users.

July 1995: goes live; hits $20K/week after 8 weeks; $500K in first 6 months.

June 1996: raises $8M VC round. March 1997 - Bezos owns 48% pre-IPO

Copyright © Russ Wilcox 2023 – All Rights Reserved

Copyright © Russ Wilcox 2023 – All Rights Reserved

2 Founders: Inside/Outside (40%)

- Hubspot, Wayfair, Apple, Rent the Runway
- Typically: one inside focus, one outside focus = stable dyad!
- Requires constant communication to stay aligned
- Productive counterbalance for each other
- Double-parenting easier than single-parenting
- One of the strongest approaches

Copyright © Russ Wilcox 2023 – All Rights Reserved

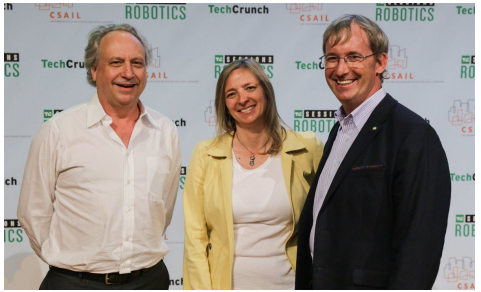
More Examples of Pairs

HubSpot

wayfair

Copyright © Russ Wilcox 2023 – All Rights Reserved

3 Founders: Visionary/Engineer/Leader



- “hipster / hacker / hustler”
- Example: writer, director, producer = hit movie
- e.g. inventor CTO, veteran VP Engineering, and business CEO
- More skills around table can better handle challenging products
- Hard because usually 3 stubborn people

Copyright © Russ Wilcox 2023 – All Rights Reserved

Example (3): Blue Apron

1st Vision: crowdfunding site for science research “Petridish”

Two Founders: Matt Salzberg (28) (CEO), Ilia Papas (29) (CTO)

Seed $800K from angels in month 3

Pivot in month 6: food delivery service “Part&Parlsey”

3rd Founder in month 8: Matt Wadiak (32) (degree Culinary Institute of America) who insists name change to “Blue Apron” used in France for beginner chefs

Month 9: begin serving small number of households; get PR

Month 14/5: $3M Series A from 3 VCs

Copyright © Russ Wilcox 2023 – All Rights Reserved

PETRIDISH .org

SIGN IN · BLOG

HOME | EXPLORE

Fund science & explore the world with renowned researchers

Be a part of science history! Learn more

SIGN UP

Featured projects and rewards for backers

Select a category

Completed projects

show all

Saving sharks with satellites

by **Neil Hammerschlag**

Sharks are one of the most feared, yet imperiled creatures on our planet. We plan to tag and track sharks with satellite tags to identify their 'hot spots' for mating, feeding, and pupping, and to protect them at these sites.

iSpy with my Camera Eye: Supraglacial Lake Changes

by **Ulyana Horodyskyj**

Time-lapse cameras along the Ngozumpa, one of the largest Himalayan glaciers, are helping scientists figure out how high mountain glaciers change on a day-to-day basis during the melt season.

The Quail Diaries: Seeking The Origin of Callipepla

by **Jennifer Calkins**

When the environment changes, why do some species survive and others vanish? We seek answers to this question in the past and present traces left by the four closely related members of the charismatic Callipepla quail.

Copyright © Russ Wilcox 2023 – All Rights Reserved

Copyright © Russ Wilcox 2023 – All Rights Reserved

4-5+ Founders: Squad of Destiny (20%)

- HourlyNerd (Catalant), Facebook, E Ink
- Facebook?! Zuckerberg + Saverin, McCollum, Moskovitz, and Hughes
- More talent is more talent
- Can be stable if there is one clear CEO
- e.g. CEO, VP BizDev, 3 engineers
- Hard to divide equity in a way that satisfies everyone
- Likely to evolve over time, so avoid title inflation!

Copyright © Russ Wilcox 2023 – All Rights Reserved

Example: Salesforce.com

Vision: salesforce management software *in the cloud*

Founder: Marc Benioff (Oracle VP, 35yrs) plus a team of 3 engineers who ran an independent dev shop: Parker Harris, Dave Moellenhoff, Frank Dominguez

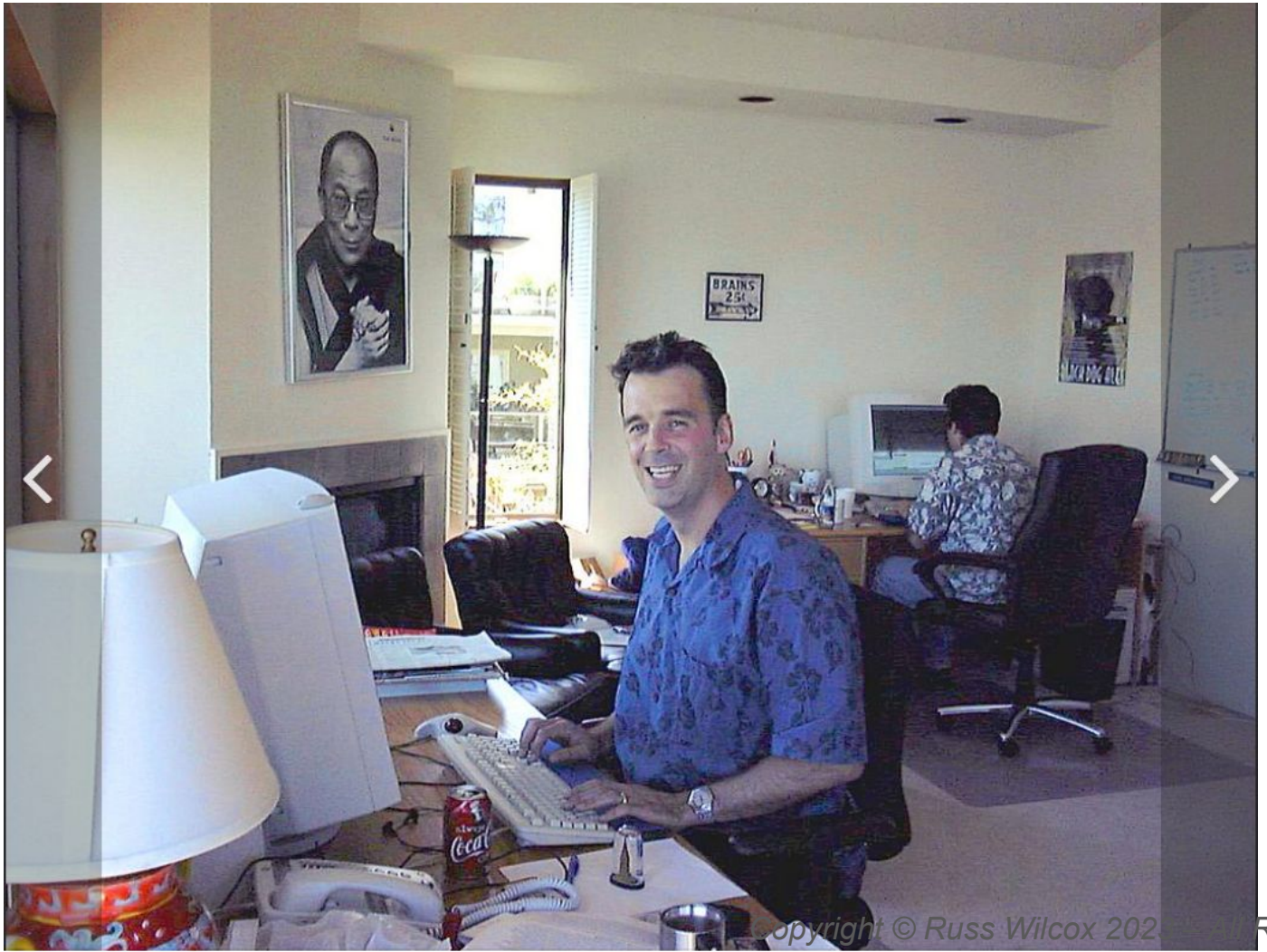
April 1999 - $517,000 from Benioff, Moellenhoff and Harris

June 1999 - $3.78M from Halsey Minor, Magdalena Yesil, and founders

July 1999 - add $2M from his former boss Larry Ellison; press coverage

Nov 1999 - $13M VC-led round

Copyright © Russ Wilcox 2023 – All Rights Reserved



Copyright © Russ Wilcox 202[illegible] Rights Reserved

SALESFORCE.COM | HOME | ACCOUNTS | CONTACTS | OPPORTUNITIES | FORECASTS | REPORTS | Logout Help

Customize

John Smith -- Acme Widgets Inc.

My Profile
My Organization

Congratulations to Brian Jones - top Salesperson of the month!

Lanai in September? Don't miss your chance to catch some rays in Hawaii - be one of the top five salespeople for Q4'99.

Hot Opportunities More Add

SALESFORCE.COM - 100 Laptops ($300,000)
Bristol Mixers - 10 servers ($500,000)
Bay Electric - 5 Raid Level 5 ($25,000)

Top Accounts More Add

Benioff Industries
LeftCoast Software NW
SalesForce.com

Recent Contacts More Add

Marc Benioff
Frank Dominguez
D. Vincent Moellenhoff

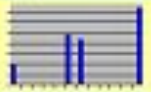
Recent Forecasts More Add

Q1 99 - $105k
Q4 98 - $200k
Q3 98 - $124k

My Organization

Brian Jones - Top Salesperson!
Q1 forecasts are due - get them in!

My 30 Day Forecast



My Tasks More

3/12 Abbott - Follow up
3/27 Call Carole
4/3 Promo materials to Johnathan
4/10 Richard - upgrade
4/12 Betsy will have answer

My Recent Items

Abbott Laboratories, Inc.
T.R. Hodgson
Abbott - 50 Licenses
Cablevox - 44
Barker Hill Brothers - 33 licenses

My Account News More

Abbott Q1 profits rise, top consensus estimate

CEOs in Business Week's 1999 Pay Survey Reap Huge Rewards

US corporate earnings surprise by Zacks - April 8

Abbott Q1 profits rise, top consensus estimate

My Quote Of The Day

A man cannot be too careful in the choice of his enemies.

--Oscar Wilde

Copyright 1999 SalesForce.com

Copyright © Russ Wilcox 2023 – All Rights Reserved

Discuss Equity Splits - What's Fair at Incorporation?

What do you think?

- 2 founders (inside, outside)

- 3 founder (visionary, builder, leader)

- 4+ founder (squad of destiny)

If 3 equal founders, and one had idea, then what?

Copyright © Russ Wilcox 2023 – All Rights Reserved

Typical Splits - 1 and 2 Founders

CEO/Idea 60% VP - Product 20% VP - Technology 20%	CEO/Idea 70% VP - Domain 10% VP - Engineering 10% VP - Technology 10%

Business CEO - 50% Tech Leader - 50%	Business CEO - 35% Tech Leader plus $500K - 65%

Copyright © Russ Wilcox 2023 – All Rights Reserved

Typical Splits - 4 or more Founders

Key Inventor - 25%
Inventor/CTO - 15%
Inventor/Director - 15%
Inventor/Tech - 15%
Inventor/Lead - 15%
Hired CEO - 15%

(later, CTO +3%, CEO +10%)

CEO - 16.7%
VP Sales - 16.7%
Adviser - 16.7%
VP Ops - 16.7%
Director Product - 16.7%
Key Inventor - 16.7%

(later, CEO x2)

Professor - 25%
Inventor/Director - 25%
Veteran CEO - 25%
Inventor/Advisor - 10%
Key Consultant - 10%
Advisor - 5%

(later, one party left before fully vesting)

Copyright © Russ Wilcox 2023 – All Rights Reserved

A Word on Vesting

- In VC, typical is 4 year vest, 25% first-year cliff, quarterly thereafter
- Investors prefer 100% unvested
- When there are multiple founders, vesting is critical for fairness

- For CEO and VPs, reasonable to add double-trigger acceleration

Copyright © Russ Wilcox 2023 – All Rights Reserved