

# Startup Founders in High Technology

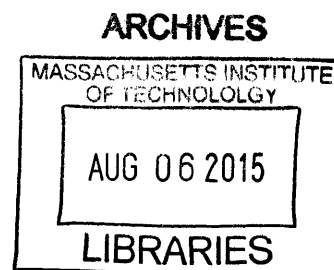
by

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Submitted to the System Design and Management Program  
in partial fulfillment of the requirements for the degree of

Master of Science in Engineering and Management  
At The  
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## ABSTRACT

Startup founders are thought to be the super women and men of the technology world these days. Many founders transition into the Chief Executive Officer (CEO) role within their companies and are expected to have the knowledge to lead large organizations through these fast growth and transition periods at a rate much faster than previously encountered in history. While some founders have backgrounds and experience to leverage in order to help them, many do not. Regardless, many high technology founder CEOs are leading companies that grow from nothing into billion dollar valuations and various stages of growth or failure between.

This thesis seeks to investigate key traits of high technology founder CEOs, the technologies they create and manage, and research surrounding their transition from founder into the CEO role to include leadership characteristics. An effort will be made to further understand what contributes to a founder CEOs success and based on that recommendations will be given providing some key guidelines. Lastly, example cases will be showcased to highlight how and what founder CEOs have and are doing to create success for not only them, but also their companies, investors, and employees.

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My thesis would not have been possible without the kindness of strangers who happened to be founder CEOs that took time out of their days to let me interview them. My sincere appreciation goes out to all of them: Bettina Hein, Jim Dougherty, Jeremy Allaire, Alfonso "AJ" Perez, John Moore, Dr. Nancy Rizzo, Steve Hamby, Sameer Joshi, and Gary Voight.

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Everyday do at least one needlessly and flagrantly nice thing for someone!

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## **1 – Introduction**

“Just start with what you have, risk what you can afford, be open to pleasant surprises, and seek relationships with others.” – Ricardo dos Santos (2014)

Startup founders are thought to be the super women and men of the technology world these days. Once thought of as the pariahs of the “normal” world, technology “geeks” are now the rock stars of the Second Machine Age<sup>1</sup>, starting and growing companies at exponential rates and accumulating wealth and power along the way. Many founders transition into the Chief Executive Officer (CEO) role within their companies and are expected to have the knowledge to lead large organizations through these fast growth and transition periods at a rate much faster than previously encountered in history. While some founders have backgrounds and experience to leverage in order to help them, many do not. It is within this space of transition from founder to CEO where this paper will focus, highlighting research and findings to better understand the expectations, proficiencies, and views.

### **1.1 – Thesis Organization**

The remainder of this thesis is organized as follows:

- Section 1 highlights the premise of the paper, the motivations for writing the thesis, and focuses on the current state of entrepreneurs and founders along with general statistical research surrounding entrepreneurs over the last 10-15 years.

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<sup>1</sup> Term coined by MIT Professors Erik Brynjolfsson and Andrew McAfee.

- Section 2 presents a deep dive into research of the key characteristics of founders highlighting findings in the areas of experience levels, education, environment, personality traits, and thinking patterns.
- Section 3 is a deep dive into the traits of the technologies that are evident in successful high tech startups in order to provide the maximum benefit to a founder focusing on major growth.
- Chapters 4, 5, and 6 focus on the key pieces of research utilized for this thesis which are *The Founder's Dilemma(s)* (book & article) by Noam Wasserman and *The Imperfect Leader* by Deborah Ancona et al. Chapter 4 focuses on what it takes to be a founder CEO from the leadership perspective in the representation of four major leadership capabilities organizations need. Chapter 5 presents Wasserman's works in the choice to be made of Rich vs. King when utilizing investor funds. Chapter 6 discusses the marriage of these two main concepts and the benefit of doing so.
- Chapter 7 is the synopsis of the research compiled into a set of recommendations or guidelines for high technology startup founders, the startup technology/product, and the founding team. These key takeaways can help any founder CEO understand what they need to do in comparison to where they are and also give guidance to those looking to be a founder.
- Chapter 8 highlights five cases of successful founder CEOs Jeremy Allaire, Brian Halligan, Bettina Hein, Reid Hoffman, and Jesper Jones and how they each incorporate the recommendations from Chapter 7 in their own way.

- Chapter 9 concludes the thesis with a summary of the findings to include areas for further research and some final thoughts.

## 1.2 – Motivation

During my time spent at MIT working on my master’s degree, everywhere I went I felt the energy and excitement surrounding the entrepreneurial and startup world. Resources abound around campus to help anyone learn, build, and network around any startup idea. The environment surrounding MIT is equally as pumped trying to help grow and fund the next unicorns<sup>2</sup> such as Dropbox, HubSpot, Uber, Yelp, and YouTube. As so many startups grow out of the MIT community, I wondered what it must take to be a successful founder turned CEO and what was important about the technologies. In my own personal experience with startups and small businesses I’ve seen how hard it is to grow and characteristics of leaders of which I am unsure if they are beneficial or detrimental to the business and growth.

With all things, I believe luck plays a big part in any business success, but wanted to know if there were other key characteristics and also what one must do to grow a business from nothing to \$1 billion or more. I have attended quite a few info sessions and speaking events in which I listened to founders of businesses of all sizes and in all stages of growth. During every one of them I always found myself asking why is it that s/he is so successful? What does s/he know that others don’t? What lessons have they learned along the way that they wish they would have known much earlier on? What are their weaknesses and are they trying to improve

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<sup>2</sup> Unicorn is a recent term to categorize the top performing startups which typically are valued around \$1 billion or more. This term is used a few times throughout this paper. For more information please refer to <http://techcrunch.com/2013/11/02/welcome-to-the-unicorn-club/> or [http://en.wikipedia.org/wiki/Unicorn\\_%28company%29](http://en.wikipedia.org/wiki/Unicorn_%28company%29).



upon them? My questions abound and I'm sure that there are many others that experience these thoughts. With that, I started asking professors and classmates these questions and in response I would receive the answer "That sounds like a great idea for a thesis", which I'm sure all graduate students can relate to hearing (especially at MIT). It is with that motivation and encouragement that I decided to venture into studying the research that exists in the area of founders and their transitions into the CEO role.

### **1.3 – Background**

"Entrepreneurs are important drivers of variation in the economy. Without variation, there is no selection or learning and hence no economic progress" (Stam, Thurik, & van der Zwan, 2010). Entrepreneurship has been studied for many years and under various circumstances. Much of the data and research focused on in this paper encompasses the last 10-15 years of work. The word 'entrepreneur' appears to have been coined in the eighteenth century (Surowiecki, 2014) and the word start-up in reference to business dates to 1845, while the word founder traces back to the mid-fourteenth century. While there are fundamental differences between the definitions of entrepreneur and startup founder, in this paper they are used interchangeably. Throughout the research there are various definitions of 'startup' in its most current US context. This paper utilizes the definition of startup specific to high technology companies as written in *The Startup Playbook*:

"Most define it as any company with a limited operating history, new, and usually in a phase of product and market discovery. The actual term startup became popular during the dot-com boom as a way of describing venture-

backed technology companies. I'm expanding the definition to include any original new business initiative by a founding team that is focused on a high-growth, risk/reward profile, scalability, and market leadership."

(Kidder, 2012, p. 13)

A few organizations, such as Global Entrepreneurship Monitor (GEM) (worldwide) and Kauffman (USA only) have consistently gathered and generated recent statistics on entrepreneurs starting in the mid-1990's. As background into the world of entrepreneurs and startups, the following figures display highlights of the current state of the industry as found by Kauffman. Most, if not all, of the sources referenced focus on the USA market versus any other which is why only the USA market is highlighted below. Entrepreneurship hovers around .3%; while men outnumber women, the differential remains around .1% difference; the last few years have seen a decline in entrepreneurs in all age groups except 45-54; and the most entrepreneurial states were Montana, Alaska, South Dakota, California, and Colorado while the lowest were Iowa, Rhode Island, Indiana, Minnesota, and Wisconsin (Fairlie, 2014).

A notable point is how constant entrepreneurship has stayed throughout the nearly 20 year time span, with slight inclines typically aligned with down economies – i.e. the Great Recession (2008-2010) – and slight decline in up economies. At the time of writing of this paper there have been copious amounts of hype concerning software startups over the past ten years which one might guess would equate to an equivalent rise in the number of entrepreneurs that the following figures debunk. Additionally, this paper solely focuses on entrepreneurs in high-

tech, but Kauffman's data encompasses all industries without any specialized industry break-out.

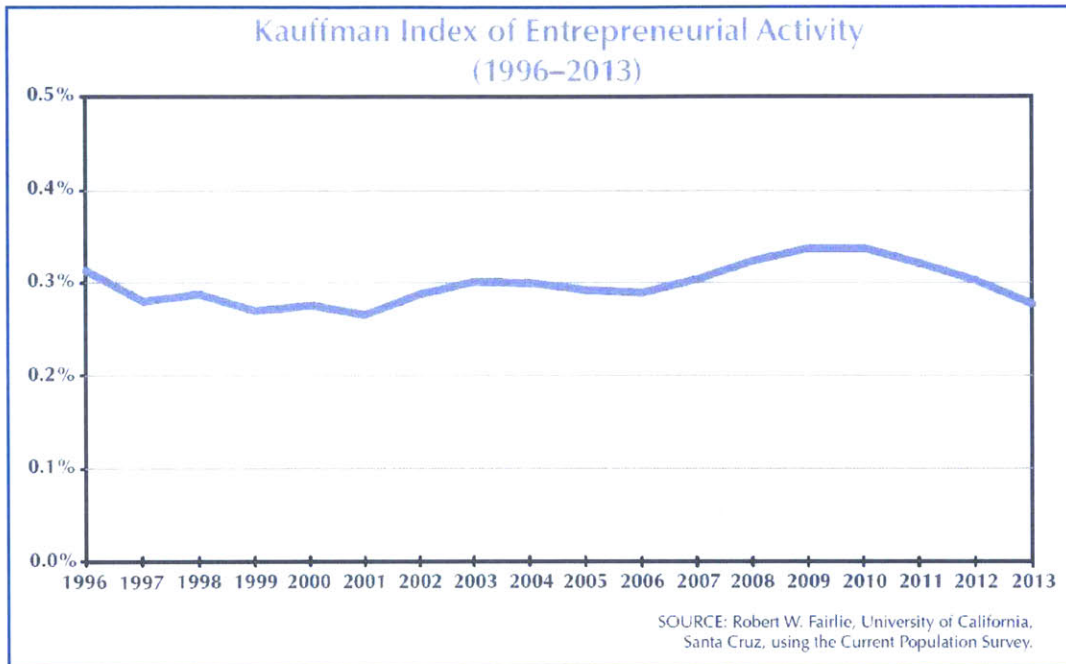


Figure 1 - Kauffman Index of Entrepreneurial Activity (1996-2013) (Fairlie, 2014)

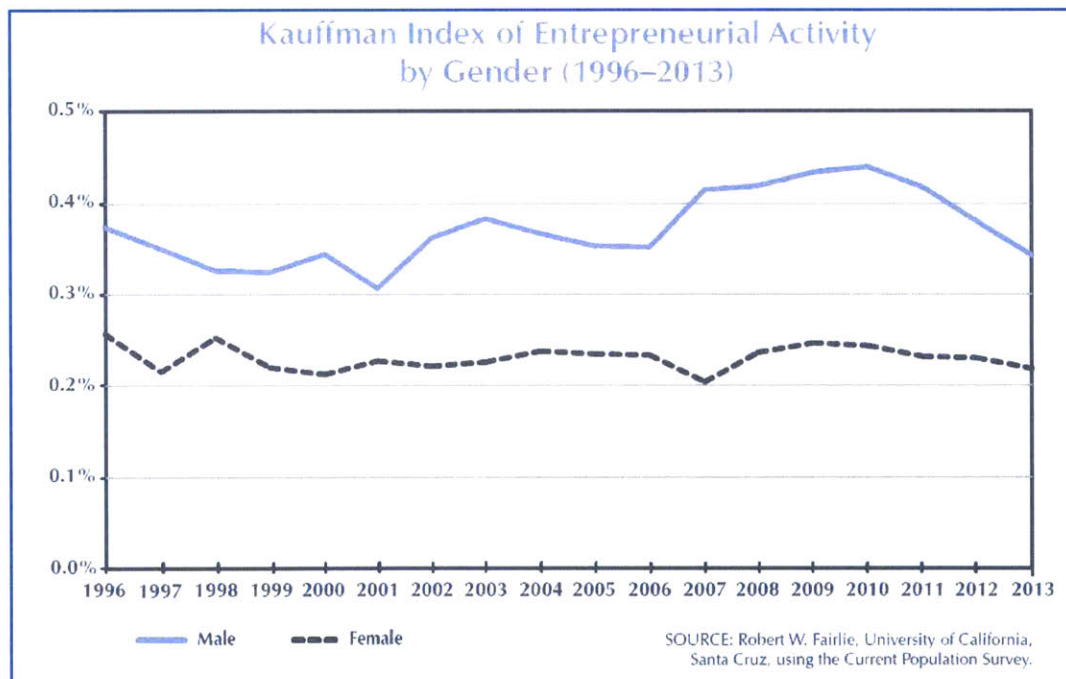
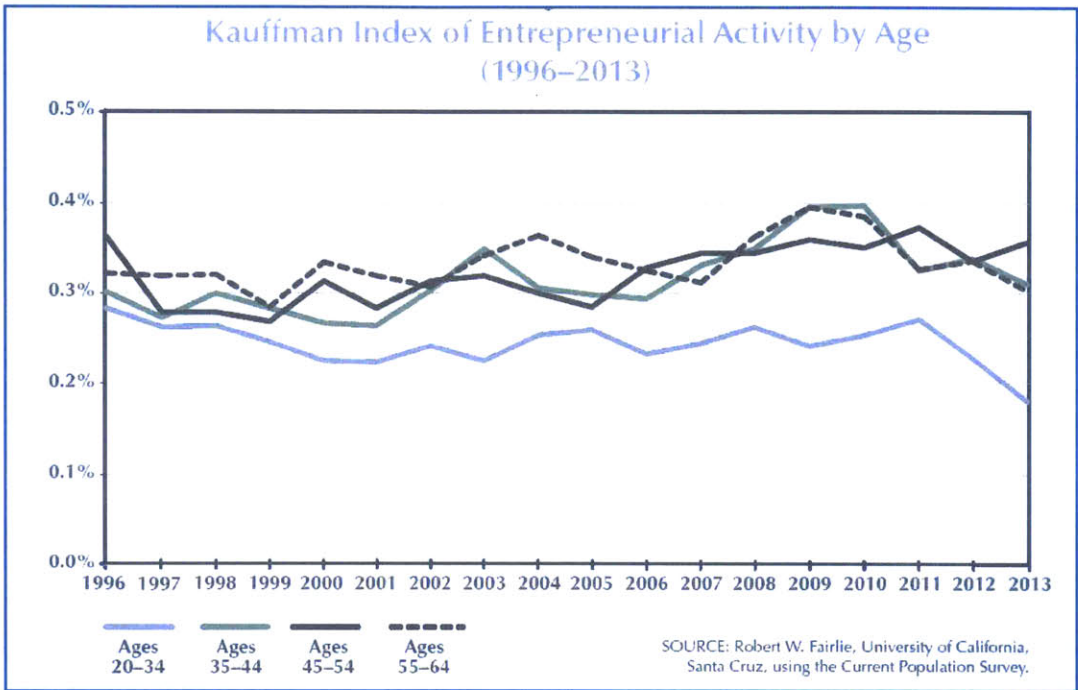
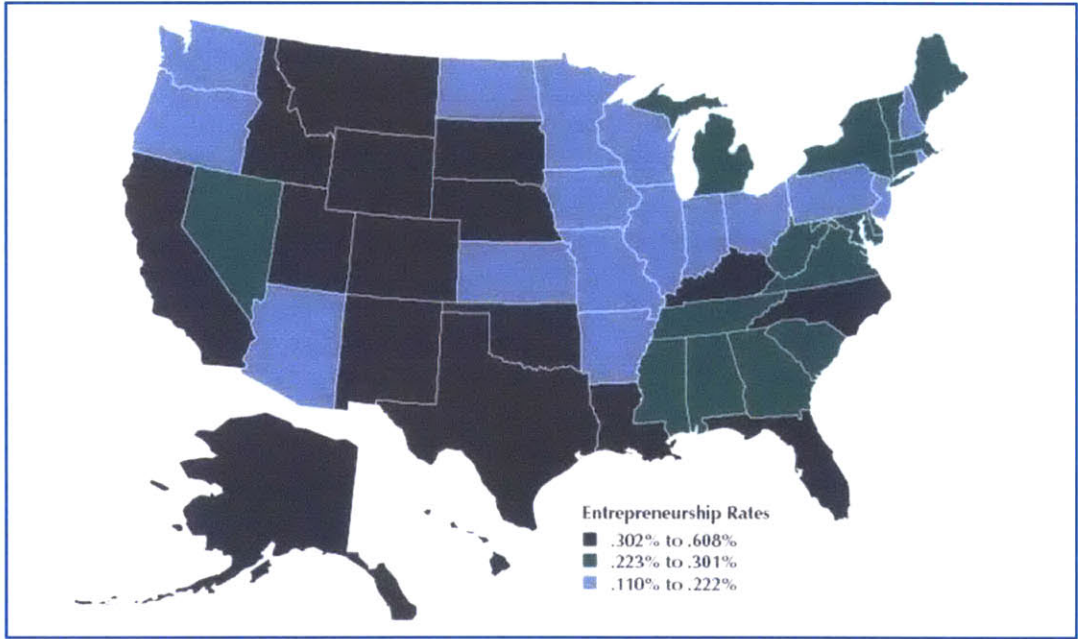


Figure 2 - Kauffman Index of Entrepreneurial Activity by Gender (1996-2013) (Fairlie, 2014)



**Figure 3 - Kauffman Index of Entrepreneurial Activity by Age (1996-2013) (Fairlie, 2014)**



**Figure 4 - Kauffman Index of Entrepreneurial Activity by State (2013)**

## **2 – Founders**

### **2.1 – Experience Levels**

Growth of any company and individual often happens in stages and barring any physical limitations people gain more and more wisdom the longer and more often they do tasks. The founders researched for this paper spanned various levels of experience in longevity worked, number of companies founded, and years in business. Some founders, such as Alfonso Perez of NV BOTS are young in age and experience in which he started his company while still an undergraduate at MIT with little to no professional work experience. Other founders, such as Jeremy Allaire of Circle Internet Financial and Gary Voight of Archivas (and more), have gained knowledge over many years of professional work and multiple startups. Each founder encountered different experiences and had diverse outlooks for each of their current and previous companies and all of them see themselves as having the entrepreneurial spirit.

One might assume that the older the founder and the more experience s/he may have in growing a business the better a startup may perform. In many cases, this is true; however some younger founders have the advantages of good mentors and advisors from whom they were very open to hearing and learning. In these special cases, the founders were able to leverage experiences outside their own and build on top of it rather than start from scratch. This evidences the value of the network surrounding the founders along with the essential quality of being open to learning and listening to the more experienced messages.

## 2.2 – Education & Environment

Personality characteristics aren't the only aspect to look at in the making of a founder, as there are possibly other contributing factors such as education level and environmental factors. A founder's education level has been debated as being a lead factor for startup founding especially in highly specialized sciences (Roberts E. B., 1991). Some have argued that it would both increase the likelihood of a success and decrease the likelihood of a person becoming an entrepreneur because they are more likely to have better job opportunities (Roberts E. B., 1991). The Kauffman Index supports that claim as it indicates that those with less education are more likely to be entrepreneurs shown in Figure 5 below. While education level debatably has some bearing on the making of a founder, Stam, Thurik & Zwan (2010) found that education level had no bearing on failure or success.

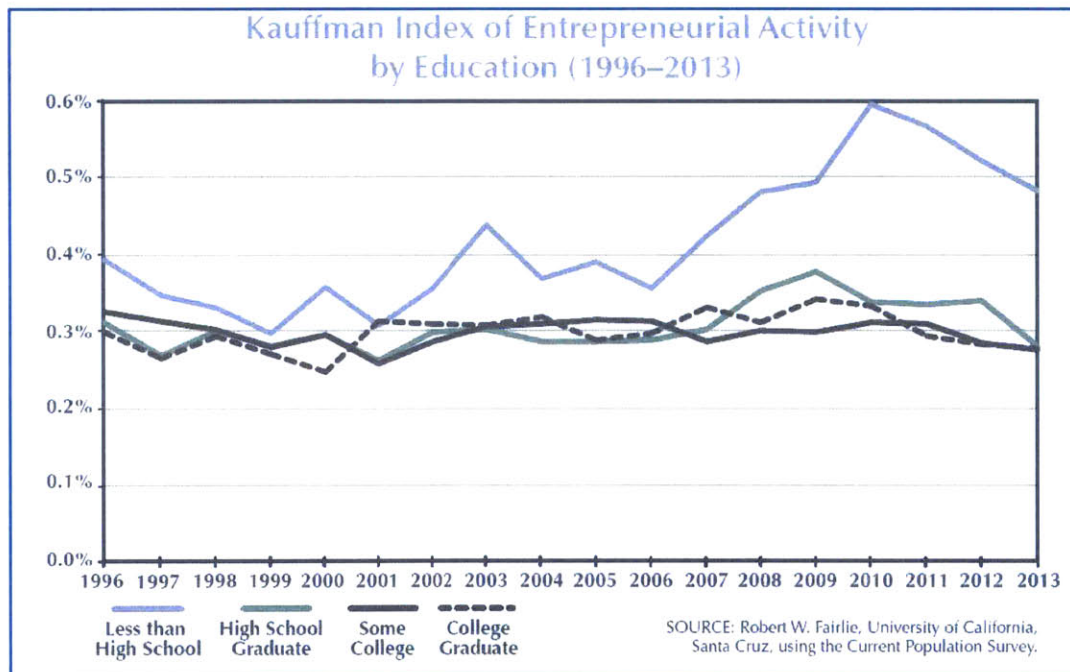


Figure 5 - Kauffman Index of Entrepreneurial Activity by Education (1996-2013)

### 2.3 – Personality Traits

The eighteenth-century economist Richard Cantillon, who coined the term “entrepreneur” believed risky behavior is the most pertinent feature of a founder, as his definition of the term is “bearer of risk” (Surowiecki, 2014). As one might suspect, founders’ personality traits vary as much as the general population and there is no single set of characteristics that defines everything about all of them. However, typically there is a key subset that is seen more frequently than others which includes optimism, passion, perseverance, stubbornness, motivation, resourcefulness, discipline, risk-adverse and confidence among others.

Founders each have their perspectives based on their own strengths. John Moore of Acorn Energy believes the key qualities of great leaders are patience, strategic, ability to tell a story, and “that you have to have enough confidence to show up and enough humility that you don’t turn people off” (2015). Sameer Joshi, CEO founder of Datanova Scientific, attributes a portion of his company’s growth and success to his ability to provide technical leadership and conviction while still maintaining confident humility (Joshi, 2015). Bettina Hein, founder CEO of Pixability, mentions that every entrepreneur needs three traits: naïveté (“to see things differently”), chutzpah (“to be unafraid to shake things up”), and persistence/perseverance (“to keep things going when times get tough”) (McGugan, 2015)(Hein, 2014). In an interview with Fortune magazine Kevin Plank highlights how important vision is to an entrepreneur when he stated, “I never knew exactly what [the company] was going to look like but more important, I got up every single day and never believed it [success] couldn’t happen” (Roberts D. , 2011). Additionally he states that he and his partners were always “Smart enough to be naive enough

to not know what we can accomplish” (Robert H. Smith School of Business at the University of Maryland, 2011).

Similar thoughts were echoed by all founders interviewed for this thesis; therefore one may stipulate that the top three characteristics of perseverance, passion and optimism ranked highest over risk-aversion are often characteristics evident in founders. Serial entrepreneur Jeremy Allaire of Circle Internet Financial believes that “Entrepreneurs have to have that passion and zeal which in turn fuels their desire to knock down every obstacle that gets in the way. That’s the core of successful entrepreneurship, whatever the product” in addition to the fact that one must “follow your bliss” (Besette, 2014). James Dougherty, CEO of many companies and Senior Lecturer of Entrepreneurship at MIT, believes that confidence and optimism are key characteristics of entrepreneurs (Dougherty, 2014). Yet another opinion is that of Bill Aulet who writes “entrepreneurs need to be effective communicators, recruiters, and salespeople” (2013, p. 3).

The famous work of Edward B. Roberts, on High-Tech Entrepreneurs associated with MIT, (also based on work by David C. McClelland) notes that the most successful entrepreneurs have “significantly higher psychological need for achievement” and their companies “grow on average two and one-half times more rapidly than their moderate need for achievement entrepreneurial cohorts” (1991, pp. 345-6). Some might think this is an obvious finding as it’s easy to assume that those with more drive are going to push harder to make their companies successful. However, sometimes this trait can actually have the opposite effect in that the



driven entrepreneurs are unwilling to see market signals around them and be less open to outside opinions.

Mr. Roberts also points out that the utmost top performers while having the high need to achieve, also create more of a collaborative atmosphere at their companies because they actually have a mid-level need for power (1991, p. 346). As described in Table 1 below, Mr. Roberts points out that there isn't one exact representation of technical entrepreneurs, but rather its variable in the areas of need for achievement (n-Ach), need for power (n-Pow) and need for affiliation (n-Aff).

**Table 1 - Measurement of Technical Entrepreneurs' Needs (Roberts E. B., 1991, p. 88)**

Measurement of Technical Entrepreneurs' Needs (n = 51)			
Need	Mean	Median	Range
n-Ach	5.9	5.0	-5 to 18
n-Pow	9.7	9.5	0 to 19
n-Aff	3.5	3.0	0 to 16

According to Wasserman's research, the top motivations for entrepreneurs are autonomy, power & influence, managing people, altruism, financial gain, variety and intellectual challenge. The rankings of these vary dependent on sex and age, but overall these characteristics were in the top 4 rankings throughout as evidenced in Table 2, Table 3, and Table 4 below.

**Table 2 - Top Four Motivations for Males in their 20s (Wasserman, 2012, p. 33)**

Top Four Motivations for Males in Their 20s		
Rank	Male Entrepreneurs in 20s (Rank for Male Non-entrepreneurs)	Male Non-entrepreneurs in 20s (Rank for Male Entrepreneurs)
#1.	Power & influence (#10)	Security (tie) (#13)
#2.	Autonomy (#13)	Prestige (tie) (#6)
#3.	Managing people (#9)	Financial gain (#4)
#4.	Financial gain (#3)	Affiliation (#11)

**Table 3 - Top Four Motivations for Females in their 20s (Wasserman, 2012, p. 34)**

Top Four Motivations for Females in Their 20s		
Rank	Female Entrepreneurs in 20s (Rank for Female Non-entrepreneurs)	Female Non-entrepreneurs in 20s (Rank for Female Entrepreneurs)
#1.	Autonomy (#12)	Recognition (#10)
#2.	Power & influence (#13)	Affiliation (#12)
#3.	Managing people (#10)	Security (#13)
#4.	Altruism (#5)	Lifestyle (#11)

**Table 4 - Top Four Motivations for the 30s and 40s-plus Age Cohort (Wasserman, 2012, p. 35)**

Top Four Motivations for the 30s Age Cohort				
30s Age Cohort	Male Entrepreneurs	Female Entrepreneurs	Male Non-entrepreneurs	Female Non-entrepreneurs
Top 4 motivations carried over from the 20s	Autonomy Financial gain Managing people Power & influence	Autonomy Altruism Power & influence	Prestige Security	Recognition Security
New top 4 motivations		Variety	Positioning Recognition	Altruism Variety

Top Four Motivations for the 40s-plus Age Cohort				
40s-plus Age Cohort	Male Entrepreneurs	Female Entrepreneurs	Male Non-entrepreneurs	Female Non-entrepreneurs
Top 4 motivations carried over from the 30s	Autonomy Power & influence	Autonomy Altruism Variety	Recognition Security	Altruism Variety
New top 4 motivations	Altruism Variety	Intellectual challenge	Altruism Autonomy	Affiliation Autonomy

Founders interviewed for this thesis pointed out a key characteristic that aligns with another point that Mr. Roberts proves in his research in that the needs for independence and doing challenging work far outweigh monetary gain. Table 5 below showcases those results.

**Table 5 - Attractiveness of Business Initiation to MIT Spin-Off Entrepreneurs (Roberts E. B., 1991, p. 91)**

Attractiveness of Business Initiation to MIT Spin-Off Entrepreneurs (n = 72)		
Features of Going into Business*	Primary Feature	Secondary Feature
Monetary		
1. Salary or wealth	9	6
Challenge		
1. Do something that others could not	14	7
2. Taking on and meeting broader responsibilities	8	5
Independence		
1. Being own boss	18	11
2. Freedom to explore new areas	7	8
3. See things through to completion	3	6
Other†	13	6
Total responses	72	49

\* This group includes 72 respondents to the relevant question; of these, 49 also indicate secondary features.

† The entrepreneurs who mention other attractions generally state features that are specific incidences of independence, challenge, or money.

Optimism has been proven as a common characteristic, however whether it's positive or not carries some contention. "One of the most powerful is the tendency of individuals to exaggerate their own talents – to believe they are above average in their endowment of positive traits and abilities" which is noted in the College Board study in the 1970's where "70% of the students said they were above average in leadership ability, while only 2% rated themselves below average" (Lovallo & Kahneman, 2003).

While entrepreneurs find it essential to have eternal optimism and positive outlook, a *New Yorker* article points out research findings show this is not a good trait, at least for the entrepreneur. Rather that over-confidence is the common theme leading to entrepreneurs believing their companies/ideas were better than they actually were in addition to their

likelihood of failure in that “they just believe that their innate skills will win out” (Surowiecki, 2014). The Harvard Business Review points out that “in planning major initiatives, executives routinely exaggerate the benefits and discount the costs, setting themselves up for failure” (Lovallo & Kahneman, 2003). Despite the existing research which contends that optimism is actually a killer of entrepreneurial success, it remains a key characteristic noted by all interviewees as essential to their success.

Therefore it seems that confidence or even over-confidence can be a double-edged sword in that in most situations it’s necessary for CEOs and executives to be confident and positive, so that they push the vision and motivate the people as well as play any needed political games. However, it is only crucial to a certain point, as often times when taken too far the human ego can get in the way of progress, in addition to the worry of over-leveraging a situation and can take the company over a cliff. In reality, when forecasting and estimating for future deliverables and achievements, it can only be estimates and it will always be the “most likely scenario” (Lovallo & Kahneman, 2003) since there is no exact scenario when estimating. Within this area of optimism, it is also equally essential to be able to hear opposite views and allow for understanding of them so that “group-think” does not interfere.

Lovallo and Kahneman make valid arguments when they say, “When pessimistic opinions are suppressed, while optimistic ones are rewarded, an organization’s ability to think critically is undermined” (2003). It is essential that a founder CEO, or any CEO for that matter, utilize enough confidence to help grow the company and lead the people, but yet be self-aware enough not to push limits too far.

Another interesting take on the over-confidence and positive outlook, is from the point of view of the Venture Capitalists (VC's). Marc Andreessen (2009) and Ben Horowitz (2010) of Andreessen Horowitz venture capital firm believe that the founder is the key to success of a company and not only do they look for founders that want to be CEO's, they employ resources to help nurture and train them to transition them into the role. They believe that a founder's confidence is essential and it is what keeps the founder focused on the goal to persevere by pushing until there is success. They are not alone in this view but there appears to be more contradictory data than supplementary in this area which will be investigated in section 5 – Founder's Dilemma.

In a 2005 interview with Founder and CEO, Mark Zuckerberg of Facebook, he sites that having the opportunity and ability to experiment with random ideas was a key to his entrepreneurial spirit (Zuckerberg, 2005). In support of Mr. Zuckerberg's personal opinion, there's plenty of research stating how essential experimentation is to entrepreneurship and startups (Moogk, 2012) (Kerr, Nanda, & Rhodes-Kropf, 2014) (Schivardi & Schneider, 2008). Kerr, Nanda, and Rhodes-Kropf are in complete agreement in their Entrepreneurship as Experimentation article in which they state "Entrepreneurship is fundamentally about experimentation because the knowledge required to be successful cannot be known in advance or deduced from some set of first principles" (2014). Throughout the research and common teachings, it is written over and over how necessary it is to quickly get to market with and MVP (minimum viable product) and experiment with that product to better understand the customer's needs and willingness to pay in the market. It is from this rapid prototyping and experimentation that focus can be given to the functionality that will deliver 80% of the improvement with only 20% of the effort.

Zuckerberg learned this first-hand as he grew Facebook from a product in his imagination to a multi-billion dollar company.

## **2.4 – Thinking Patterns**

Deborah Ancona, Thomas Malone, Wanda Orlikowski, and Peter Senge (2007) maintain that vision is a key category that should exist in company leadership, whether in the founder or another executive. David S. Kidder agrees extensively that a founder must have vision and within that must think “monopolistically” in that “the early period is critical to teaching yourself and your team that we are only limited by the scope of our vision” and by “embracing this principle [it] will force you to ... aim for total market-domination” (Kidder, 2012, p. 17). As a company founder, vision seems at most essential because that is the founder’s competitive advantage in that s/he knows the needs, the users, the solution, and are able to push that vision forward. Kevin Plank provides a perfect example of this in his 2003 speech, when he states, “We’re not going to be happy being a \$100 million company or a nice \$250 million family-run business. One of our first customers asked me recently how big we want to be. I said I want to be really big” (How I Did It: Kevin Plank of Under Armour (2003 Column)). And most recently he was quoted saying, “Let me be clear: The purpose here is making sure I have a \$10 billion company in the next decade” (Litten, 2015). While he didn’t vocalize the specifics of his vision to grow the company from \$100 to \$250 million to \$10 billion, one can infer that he has had a plan and been following it since Under Armour is said to have a stock market valuation of \$9 billion (Sellers, 2014).

Saras Sarasvathy (2001) presented some intriguing research on how an entrepreneur thinks. Ms. Sarasvathy found that entrepreneurs think “effectually” rather than causally, which basically comes down to the difference between a chef cooking dinner from a recipe (causal) or rather with a set of ingredients that they must combine creatively (effectual) (Sarasvathy, 2001). The drawings below in Figure 6 display her interpretation of the difference in thinking.

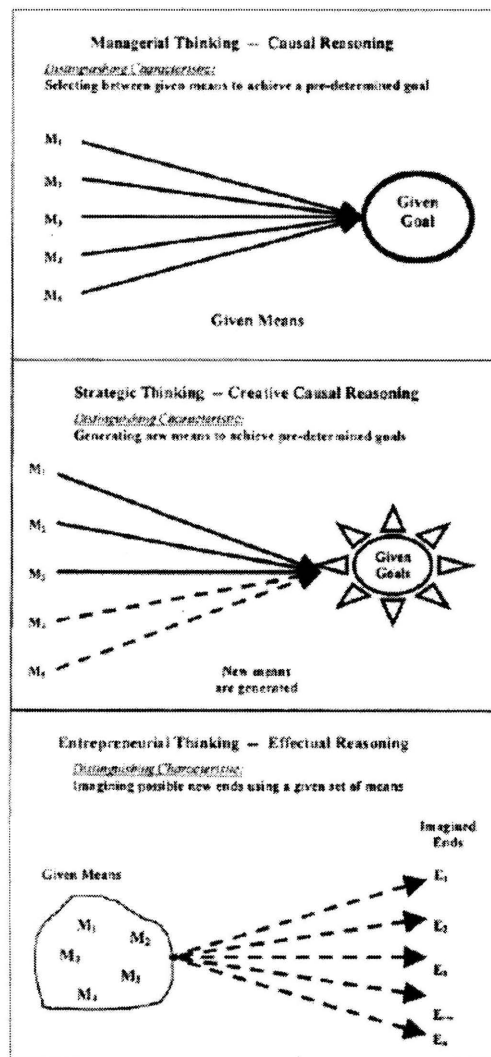


Figure 6 - Causal vs. Effectual Reasoning (Sarasvathy, 2001)

Sarasvathy states that entrepreneurs start with three things – “Who they are...What they know...and Whom they know” – and utilize those to “begin to imagine and implement possible effects that can be created with them” (2001). This type of thinking means that entrepreneurs start with resources first and find a path that best utilizes those resources in an effort to find a bigger vision. In a way, their “plan” is ever evolving and if all goes well, will turn into a grand vision once they see all the pieces coming together. With that vision they begin to execute and grow, however as resources change, so may their plan or vision. This look into the way a founder works also plays out in how well they may or may not transition into the CEO role and will be discussed further in section 5 – Founder’s Dilemma.

## **2.5 – Summary**

In a world with over 7 billion people and nearly 400 million entrepreneurs (Singer, Ernesto Amoros, & Moska Arreola, 2015), it’s obvious that all startup founders cannot possibly have all the same personality characteristics. But the data does show that there is a dominant subset of commonalities that show up amongst the majority of the founders. While this area still needs more study, this research finds the top qualities to be:

- independence
- optimism
- passion
- perseverance
- the need to be challenged.



### 3 – Technology Traits

When it comes to technology, it's obvious that the founder must love the product and be able to sell a vision, but what is necessary of the product itself in order to allow for company expansion and the transition of the founder into a CEO? Along with a little luck, there are key qualities essential to the technology that enable startup success.

David S. Kidder writes in *The Startup Playbook* the product must do two main things: be a painkiller and be ten times better (2012, pp. 15-16). To be a painkiller, there must be a pain for which the product will be the solution “that will take away the hurt forever” and that once your customers use it “they will never go off it” (Kidder, 2012, p. 16). In other words, the product must fill an unmet need and customers must be willing to pay for the meeting of that need.

Sara Blakely, founder of Spanx, states, “I could tell customers why they needed my product in thirty seconds” and if they didn't understand it “I held up my laminated pictures and they would say, ‘Oh, I see...I'll take two!’” (Kidder, 2012, p. 34). The customer must be able to understand the utility of the product and it is the founder's responsibility to figure out how to market it so the customer understands almost immediately.

Mr. Kidder's second point is the 10x solution which is evident in all of the giant unicorns of startups like LinkedIn, Facebook, Uber, Google, and more. In essence, Mr. Kidder writes, “The reality is that you need an atomic-grade weapon in your arsenal that can destroy the military-grade protections the incumbents have erected to keep you away from their customers” (Kidder, 2012, p. 16). A recent barrage of books by startup founders Reid Hoffman (LinkedIn), Ben Horowitz (OpsWare, Andreessen Horowitz), and Peter Thiel (PayPal, Palantir) are personal

accounts of their lessons learned in which all of them expound that the 10x solution is essential, in that it must provide greater value or it won't overcome the switching cost to gain users. Google takes this thought even further with GoogleX thinking and says that 10x isn't good enough, but it should be a "moonshot" idea in which the implementation of the idea will change the world (Levy, 2013).

John Moore believes that the most essential key to a product, is that it finds its way into the consumers' hearts, in that they have an affinity to the product/brand over all other brands in that category (2015). Mr. Moore's specific example was noted in his admiration of Under Armour's CEO and Founder Kevin Plank. Mr. Moore points out that he and Mr. Plank were in the same competitive product market, yet the marketing skills of Mr. Plank drove the Under Armour brand into the hearts of its consumers. As Fortune magazine's Daniel Roberts (2011) states, "Plank didn't invent 'performance apparel,' but he was the first to see its potential for not just athletes but also the mass market". People loved the products of blended fabrics that whisked away sweat, but the initial product launch commercials of Under Armour focusing on a team protecting its house are what truly jump started the brand love of its athlete consumers. When one's target customers are athletes of team sports, it just further drives the loyalty of the customer in the direction of the products and therefore the brand.

Michael Cusumano (2013), MIT Sloan Management Review Distinguished Professor of Management, writes that "an attractive market" is necessary in that "successful startups usually focus on markets capable of becoming large, fast growing, and profitable for new entrants". A startup must have a compelling product in a compelling market in which it can

look to expand on more than one horizon. If the market is too small, then the product won't have enough room to grow to be highly profitable. In other words, the slice can only be as big as the pie, and if the pie is small, so will be the slice. Mr. Cusumano also points out that "size alone does not make a market attractive", so a company must be able to articulate their competitive advantages and ability to take over that market (2013). In the book *Strategy Rules*, Michael Cusumano and David Yoffie showcase in their third rule that founders should focus on "Platforms and Ecosystems, Not Just Products" by doing the following four things: "1) Think platforms, not just products; 2) Think ecosystems, not just platforms; 3) Create some of your own complements; and 4) Evolve and invent new platforms to avoid obsolescence" (2015, p. 95). Again, the founder should look at bigger and bigger technology to lay the ground work for large opportunities in addition to creating a community that helps the platform grow with network effects.

Essentially, there are main characteristics that are essential for the technology, but there is room for innovation in almost every industry. Startup founders need to think big with their ideas and provide a vision for a 10x (or more) solution that will make improvements to an industry or to go even bigger and revolutionize an industry. Of course the technology and the ideas must be attainable in some way in the near term, but the giant end goal can be a long term "moonshot".

Elon Musk is a great example of having an enormous vision with many of his startups, but he makes sure that there are goals and products that can be produced along the way that will provide a pathway for those "moonshots". With SpaceX Mr. Musk hopes to one day start

inhabiting the planet Mars, but for now he's focusing on making transports to/from the International Space Station in a more economical and innovative way. Additionally, with much of his energy businesses, he hopes to find ways to remove dependence on fossil fuels, but in the near term his attention is turned on creating more efficient and cost effective batteries along with creating a giant solar panel network throughout the USA. Mr. Musk understands that to attain these near-impossible goals, he needs to make plans to get there and execute them on a daily basis to keep his people engaged and to continue to push the understanding of what is possible.

In summary, the unicorn leaders start with an understanding of the technology as it is, and from that they take the chance to dream big. They look to make changes that affect the world for better and push science and technology to their limits. Even though they may not reach their goals any time soon, they will succeed at much more than what society may expect, because they aim so high. The technology needs to be marketable, fulfill an unmet need, and must push the limits to provide an adequate jump for the users in switching cost. Essentially, the startup technology needs to provide the following:

- 10x improvement
- fix a need
- marketable story
- availability to experimentation

## 4 – What does it take to be a Founder CEO? | The Incomplete Leader

### Perspective

Deborah Ancona, Seley Distinguished Professor of Management at MIT Sloan School of Management, leads an intriguing set of research on leadership, in which she points out that it's best to appreciate the fact that leaders are incomplete (Ancona, Malone, Orlikowski, & Senge, 2007). In a Harvard Business Review article, she and her coauthors state that "No leader is perfect. The best ones don't try to be – they concentrate on honing their strengths and find others who can make up for their limitations" (Ancona, Malone, Orlikowski, & Senge, 2007). The concept layers onto the idea of transparency and openness of understanding ones-self by pointing out that no one person can ever be perfect, however teams of people can far exceed expectations by the power of many.

If a leader understands that and embraces it, they can then lead a tremendously high performing team. Mr. Kidder points out that the number one critical ideal is that the founder must "Know Thyself" in that s/he needs to "know how to play to their own strengths" and that the startup "must be rooted and flow from the founder's innate gifts" (2012, pp. 14-15). Essentially, the key concept is that a leader must understand their own strengths and then find people with complementary skills to place on their team. This is not to say that a person can't get better at the skills in which they are weak, but rather to do that it's best to have good people beside them from which to learn.

Ancona and her coauthors' point out in their Incomplete Leader perspective that organizations need four main leadership capabilities:

- “Sensemaking – interpreting developments in the business environment”
- “Relating – building trusting relationships”
- “Visioning – communicating a compelling image of the future”
- “Inventing – coming up with new ways of doing things”

(Ancona, Malone, Orlikowski, & Senge, 2007)

The key success point of this type of leadership is that it “promote[s] leadership throughout your organization, unleashing the expertise, vision, and new ideas your company needs to excel.” As previously noted, this highly aligns with the findings of Mr. Roberts in that allowing employees empowerment gives them freedom to pursue their own ambitions which can further align with business growth (Roberts E. B., 1991, p. 346). Andy Grove also felt passionately about empowering people at Intel, encouraging them to provide ideas and feedback, which spurred the writing of his book *High Output Management* (Yoffie & Cusumano, 2015, p. 172).

This last piece isn’t new to the world of leadership research in that it weighs heavy on the notion of empowering teams and employees to lead and be decision makers in their own realms. During the 1990’s Ritz-Carlton Hotel Company put into place a commitment to their guests and their staff coined as The Gold Standards by Terry Bacon & David Pugh (2004). Ritz-Carlton instills the ability to make decisions into its employees from the ground up by providing “Three Steps of Service” in which the second one is “Purpose over Function – and the Authority to Resolve Problems” (Bacon & Pugh, 2004). Within this empowerment, all employees are allowed a \$2000 per customer per day allowance to alleviate any issues or rather to add delight

as “What’s important is delighting the customer by resolving the difficulty without having to go through a chain of command to do so” (Bacon & Pugh, 2004). Again, independence crops up as a characteristic that is resilient not only in the founder, but in the team also and when present allows for greater growth potential both in each of the people, but in the company as well.

What is essential to Ancona et al.’s research is the empowerment of those around the leader in addition to the leader’s acceptance that s/he doesn’t have to be an all-powerful, all-knowing being which allows for two things: accessibility and acceptance. The allowance that the leader is human can allow for greater accessibility to the leader by the team along with acceptance which in turn allows for greater possibilities for innovation. In the authors’ words, “In today’s world, the executive’s job is no longer to command and control but rather to cultivate and coordinate the actions of others at all levels of the organization” (Ancona, Malone, Orlikowski, & Senge, 2007). Therefore it is essential for the founder CEO to “Know Thyself – Warts and All” (Yoffie & Cusumano, 2015, p. 168) as they need to be able to understand their strengths and weakness so that they know where to focus, about what to feel most confident, and in which way to grow.

Sense-making provides the ability to know the environment in which the business thrives in all its complexities and to make others aware of it in a more simplistic manner. Planning product and business road maps based on these factors would be a key competency to keep the team working on the same goals. If a CEO is not well versed in this skill, it would be essential for her/him to reach out to someone who is so that the company stays on track to tackle the market needs and challenges. Faking proficiency at sense-making could provide serious

detriment to the company in being aware of what is going on in the market in regards to competition and in which areas are ripe for product growth.

Relating has grown to be a quality regarded among many as essential, not only utilized in the CEO role. However, in the CEO role it takes on many facets as s/he must be able to relate outwardly to customers, stockholders/investors, and the general public as well as inwardly to employees. Being able to relate in all of these different terrains is a gift that helps the CEO not only build outlets for the products and avenues for the company, but also allows for a pulse internally and externally to understand with enthusiasm currents need to be adjusted. A CEO who is clueless in this area and won't reach out for help is bound to ignore dealing with employee turnover or stagnant sales and investments.

Visioning is essential in both the original product creation of being able to see a larger picture of what is possible, as well as a grand scheme of what the company provides once it's grown into multi-products and markets. The authors describe visioning as "[it] produces a map of what could be and, more important, what a leader wants the future to be" (Ancona, Malone, Orlikowski, & Senge, 2007). For a company to succeed, they must have vision throughout and leaders who know how to provide that so that it can give employees something to work toward and investors an understanding of the road map. The visioning by a leader needs to be implementable to some degree in that those supporting the CEO can put into place action plans that show a path that will lead toward the vision. If this is not possible, then there can be a disconnect and both staff and leadership will grow unhappy as neither group's needs will be met.



It is with Inventing that Ancona et al. (2007) writes “moves a business from the abstract world of ideas to the concrete world of implementation...[it] often requires creativity to help people figure out new ways of working together”. Bettina Hein of Pixability (2014) and Gary Voight of Archivas (2015) both describe this as the world which they excel as founder CEOs is not necessarily in creating a vision, but rather in that they can analyze and implement a vision to lead the company. This inventing and implementing stage is completely essential to keep business moving down the road toward success. It is similar to a teacher telling a young child to pull their head “out of the clouds” from their day dreams and to start working on their classwork, but it’s essential to have both the creativity and the application. Both of these characteristics must be utilized within leadership to grow a successful technology company, or any company for that matter.

In summary, *The Incomplete Leader* is one who understands oneself by knowing in which areas s/he excels and which s/he is weak and with that knowledge finds individuals who will supplement the holes creating balance within the organization. Even moreso the leader knows when to show confidence and when to be humble and ask for advice, as those that will follow will have more faith in their abilities if they don’t feign their own perfection.

“The only way to learn CEO is to do it. You have to make sure you surround yourself with people that respect in what you’re doing and who have faith in what you’re doing, because you’re not going to know all those answers” (Rizzo, 2015).

## 5 – Founder’s Dilemma

Mr. Wasserman’s main finding from his research in *The Founder’s Dilemma* and *The Founder’s Dilemmas* is that a founder must decide whether s/he wants to have money (Rich) or control (King) because a founder cannot have both as shown in Figure 7 and Figure 8 below (Wasserman, 2008).

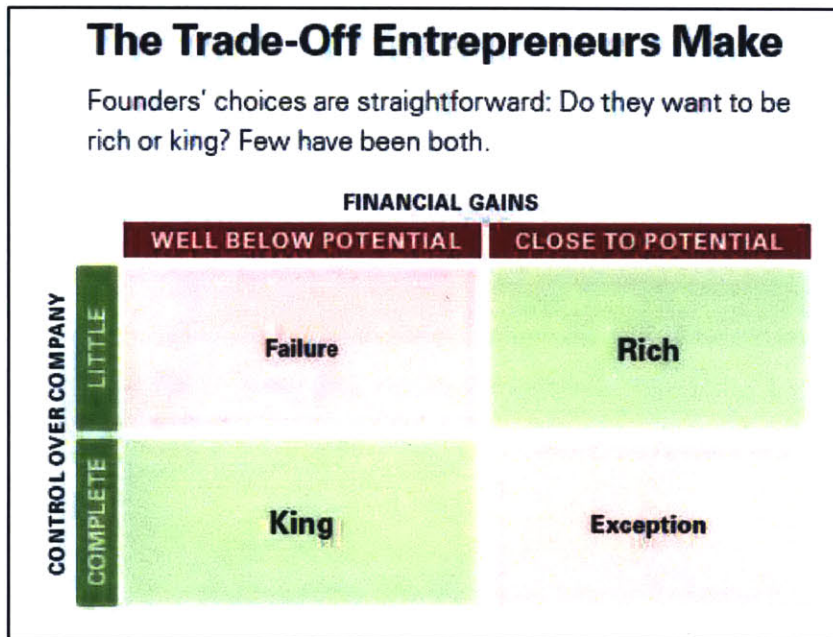


Figure 7 - Founder's Trade-Off - Rich vs. King (Wasserman, *The Founder's Dilemma*, 2008)

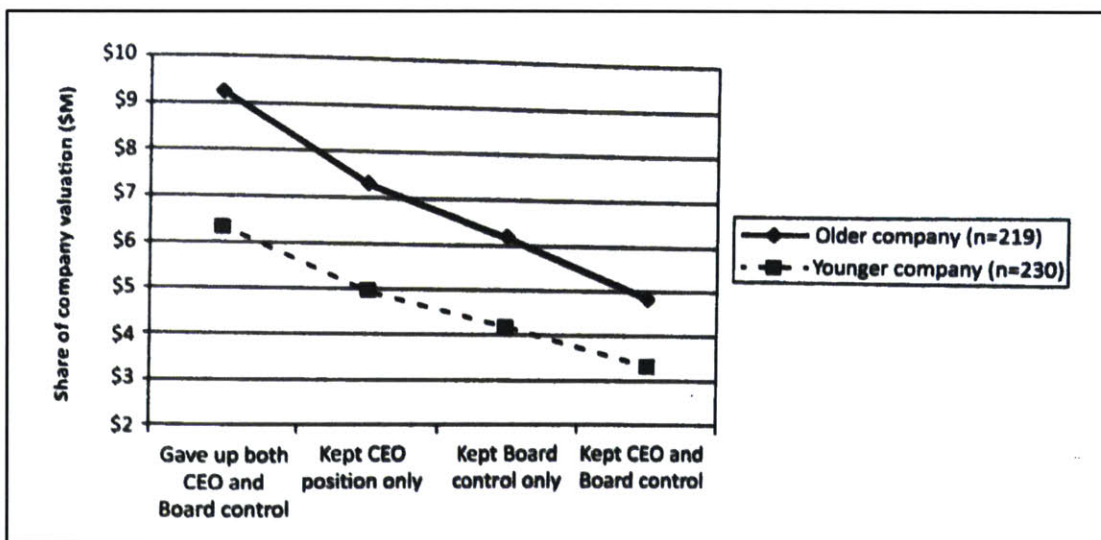


Figure 8 - Value of Founder's Equity Stake, Depending on Degree of Control Maintained (Wasserman, 2012, p. 339)

Mr. Wasserman's data showed that out of the 212 startups he investigated only 50% of founders were still CEOs by the company's third year, 40% by the fourth, and less than 25% were still in place when the company IPO'd (The Founder's Dilemma, 2008). An interesting finding by Wasserman in a separate study of compensation revealed that "51% of entrepreneurs made the same money as – or made less than – at least one person who reported to them" (The Founder's Dilemma, 2008). If it weren't for all of the unicorns like Facebook, PayPal, and LinkedIn along with the ability of the human to dream and have over-confidence then entrepreneurs might actually take heed to the data and decide pre-emptively that it is best not to found a company. Worth noting, is that even though it may not be beneficial to the founder to lose the majority of the time, it is beneficial to society for founders to try as "in the delusions of entrepreneurs are the seeds of technological progress" (Surowiecki, 2014).

In Wasserman's "King vs. Rich" scenario, a technology focused founder is the perfect person to have in the CEO seat as the first product line is created, grown, and delivered to market. However, it is at this point that he believes its best for the founder CEO to take on a new role, as the company is going to need new skills from their CEO in order to market and sell large quantities of the product and services and the majority of startup founders are not going to have the necessary skillset (The Founder's Dilemma, 2008). The research of Ms. Sarasvathy also corresponds to this thinking in that the way entrepreneurs think is different than established business work and how they are taught to work. The reasoning methods noted in Figure 6, showcase the differences and if an entrepreneur cannot understand or function in both of

these ways of thinking they are most likely not the right candidate to grow the business as much as they were to create the business.

The faster a founder CEO gets to this realization point and allows others to then take control the more money they are likely to make and to attain monetary rewards. The results show that the larger segment the founder gives to lure in cofounders and investors the larger the pie will be, so in turn his smaller segment will be worth more in the long run. In other words, in giving up control the founder CEO will in turn have a larger financial gain. Therefore, if the founder CEO makes the decision to keep more control in order to be “King” the pie will end up being smaller and a larger piece of a smaller pie is inevitably smaller as shown in Figure 9 below.

Founder CEO of various startups, Gary Voight first learned about Noam Wasserman’s dilemmas after founding Archivas and he thoroughly agrees with Wasserman in regards to “Rich vs. King” (Voight, 2015). Even now when he looks at companies to invest in as an Angel investor he looks for qualities in a founder CEO who is most interested in being “Rich”, as he does not want to have power struggles with the one that is looking to be “King” (Voight, 2015). Steve Hamby, founder CEO of G Software states that throughout his 20+ years of experience in high technology software companies, that he has too often seen the founder CEO that wants to both be “King and Rich” and they typically run the companies into failure or compete stagnation (Hamby, 2015). Interestingly enough, the youngest and least experienced founder CEO interviewed for this paper believed that one could be both “Rich and King”, but that it was essential that no VC funding be utilized (Perez, 2014). His intention is to grow his company

NVBOTS with some Angel investor funds and by product sales and he hopes to do so without ever accepting funds from VCs (Perez, 2014).

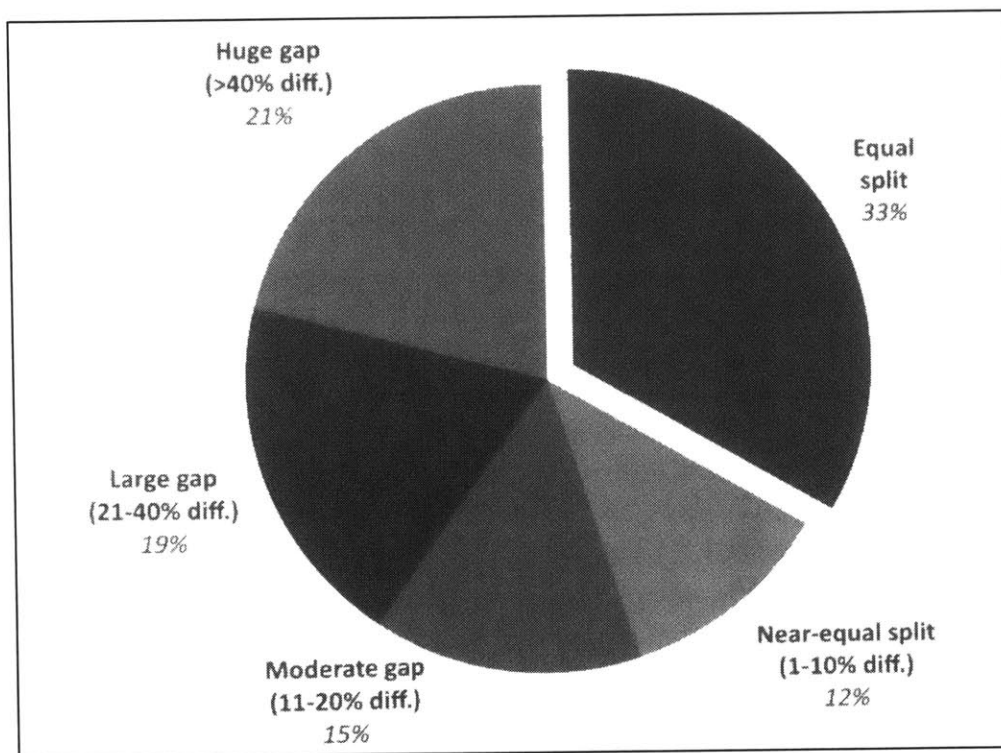


Figure 9 - Difference in Equity Stakes between Founder with Largest Stake and Founder with Smallest Stake (Wasserman, 2012, p. 159)

Wasserman is quick to point out that neither of these situations is better than the other, but rather that the founders should be aware of these findings when making their decisions (The Founder's Dilemma, 2008). A founder CEO, who knows s/he wants to be "Rich", should then make the transition to a new CEO rather than fight it allowing for easy transition and less impact to the company. Inversely, founders who know they want to be "King" should lay groundwork to allow them to keep control throughout the growth of the company, whether by contributing their own funds or being the only founder (The Founder's Dilemma, 2008).

Lastly, Wasserman points out that it when a founder CEO does step down from the CEO role, that it is often essential to keep them on board to help foster, network, and mentor the new CEO's success. This benefits all parties involved in that the faster and better the transition then most often the profits grow. As shown in Figure 10 below, "Founders who maintain some control over the succession event often end up in better positions" (Wasserman, 2012, p. 302). Additionally, if a founder knows s/he's not ready to take the company to the next level at that moment s/he can often transition to a role in which s/he can learn the skills needed so that during the next CEO transition s/he may be the best candidate for the job. Wasserman points out E Ink's founder Russ Wilcox who spent time from 1998 rotating through executive level positions in an effort to fill his inadequacies, so that there was not a more competent nominee when the position opened up in 2004 (The Founder's Dilemma, 2008).

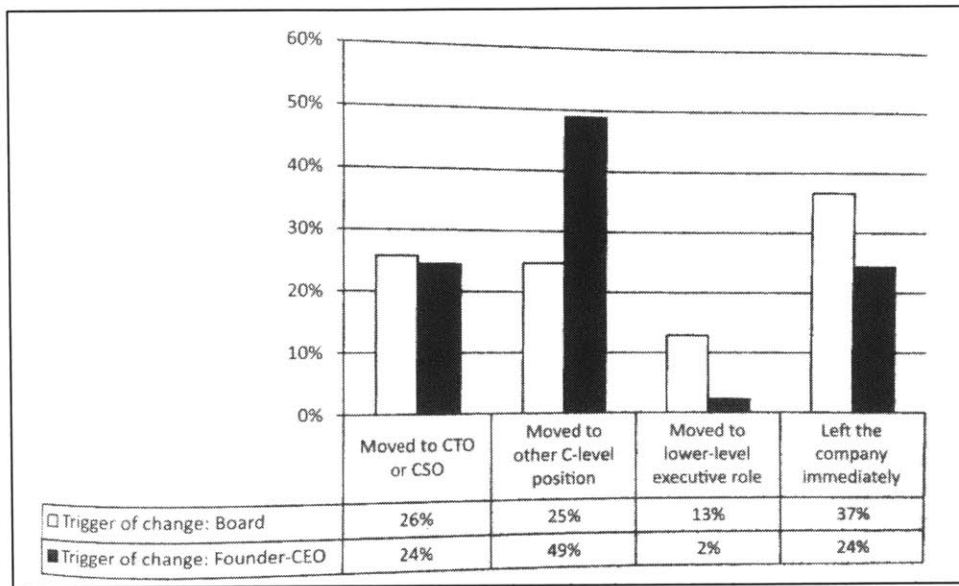


Figure 10 - Post-Succession Positions of Replaced Founder-CEOs (Wasserman, 2012, p. 319)

Evan Williams is a constant focus in Wasserman’s research for his 2012 book *The Founder’s Dilemmas*<sup>3</sup>. Mr. Williams has started various companies one after the other, however they almost all have the same outcome in which Evan realizes he’s not CEO material, or he fights as hard as he can to obtain the role while hurting those around him and in-turn his businesses. At the time of writing, Evan Williams latest venture was the founding of Twitter and until 2010 was at the lead position of CEO. Based on the role changes his actions prove to be completely in agreement with Wasserman’s dilemma as noted in the New York Times article stating, “For his part, Mr. Williams may embody a classic Silicon Valley type – the inspired, talented start-up guy with good ideas, but not the one to execute a sophisticated business strategy once things get rolling” (Miller & Bilton, 2010).

<sup>3</sup> Of note is that Wasserman’s research covering Evan Williams took place before Evan founded his latest venture Twitter.

Meg Hourihan, a partner in one of Mr. Williams' previous businesses, also commented that "I don't think he took care of the people who got him to where he was. It was bitter, horrible and tough. He's not CEO material. It doesn't play to his strengths. He's a better inventor; he's better at coming up with ideas" (Miller & Bilton, 2010). Of course, Mr. Williams had been working with Mr. Wasserman for years and is noted throughout Wasserman's *The Founder's Dilemmas*. It is quite possible that the opinions of Wasserman are self-evident within Williams from this relationship in addition to the lessons Mr. Williams learned throughout his journey creating and growing previous startups. It is interesting to note, that Mr. Williams seems to have learned key characteristics of himself that are not fitting as a CEO in addition to ones of others that make business flow better the biggest of which is the ability to make decisions, and at times expedited decisions (Miller & Bilton, 2010).

### **5.1.1 – VC Funding**

Another interesting finding in Wasserman's research is that the more rounds of VC funding the startup commits to the more likely the founder CEO will not retain her/his position as shown by Figure 11 below. It re-iterates the point that when using VC funding the founder CEO must understand the likelihood they will be replaced and to plan on how s/he wants to tackle that dilemma when s/he faces it.



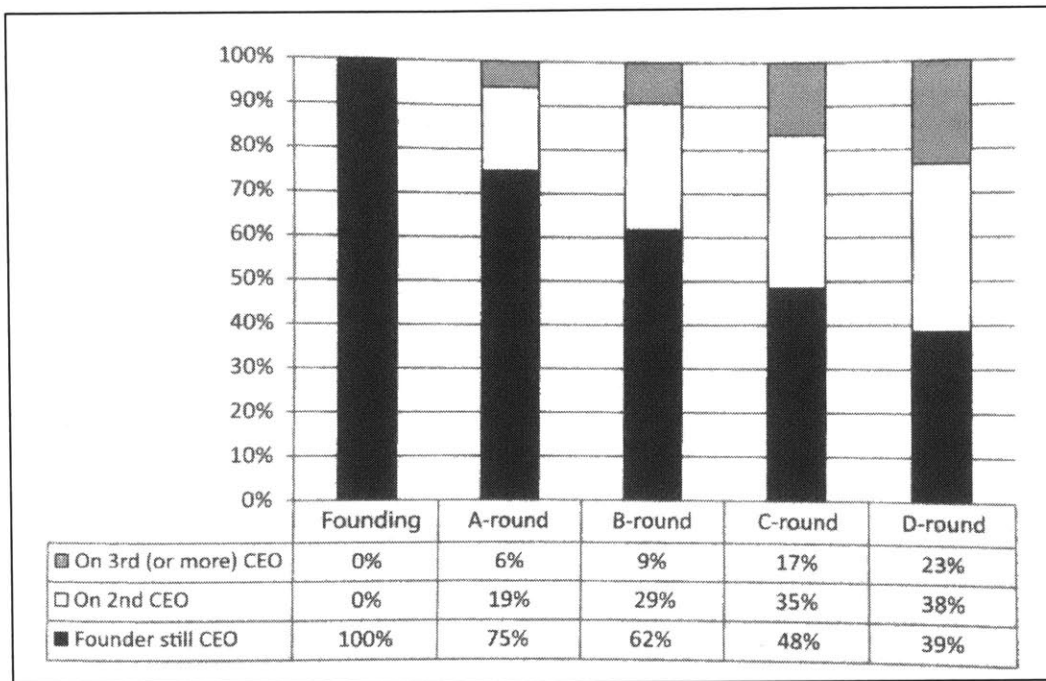


Figure 11 - Percentage of Startups Still Being Led by the Founder-CEO (Wasserman, 2012, p. 299)

A major point about all the aforementioned research in section 5 – Founder’s Dilemma, is that almost all of it strictly looks at companies and founders that utilize venture capital funding. While this aspect is not investigated in this paper, it would be worth exploring growth rates and evaluations of businesses that do not utilize venture capital and how it’s monetized amongst the founders.

Ben Horowitz of venture capital firm Andreessen Horowitz and previous cofounder of OpsWare maintains a different perspective in regards to the Founder’s Dilemma. In an interview with Stanford University Professor, Tom Byers, Mr. Horowitz discusses his belief that the greatest technology companies were built by product focused entrepreneurs who grew their companies into global empires, citing the most notable historic examples of Amazon, Hewlett Packard, Microsoft, Oracle, and Google (Horowitz, Nailing the Hard Things, 2014). He points out that a

founder must build a great product before they can build a great company, but once successful s/he thrives at the top of all of these companies and is essential to maintaining the vision of the products that initiated the company (Horowitz, Nailing the Hard Things, 2014).

All founders of the above companies turned out to be “Rich and King”. Horowitz credits not only the passion of the founders, but believes it’s essential for them to learn the ability to manage as it is not an innate skill with which anyone is born. Founder CEO Dr. Nancy Rizzo, completely agrees with Horowitz and Andreessen in that “It’s essential that the founder/scientist maintain the CEO, because there is nobody else that will hold your vision throughout the course of the ups and downs of raising money...there isn’t anybody else that will have that level of passion or determination...and persistence” (Rizzo, 2015).

Mr. Horowitz’ business partner, Marc Andreessen, agrees in the belief of the essential nature of the founder CEO, and together they created a venture capital firm to enable the founder/innovator to become a great CEO (Andreessen, 2009) (Horowitz, 2010). Their vision is to create a network of experienced people and support staff that will give the founder CEO access to all s/he may need to learn to grow the product and the company (Horowitz, Nailing the Hard Things, 2014) (Andreessen, 2009) (Horowitz, 2010). Andreessen Horowitz based some of their arguments on research they sponsored with Yujin Chung, Professor David Wessels, and Frank Chen through the Wharton School of Business (Horowitz, 2010).

Reid Hoffman, founder of LinkedIn and now partner at VC firm Greylock, disagrees with Horowitz and Andreessen in that he believes there are many counterpoints including his own, where he found it best to bring in a professional CEO to run LinkedIn (Hoffman, If, Why, and

How Founders Should Hire a "Professional" CEO, 2013). Most of Hoffman's references notate a situation in which the professional CEO runs the company, but the founder is also still a key part in which he calls "founder/professional CEO partnerships" (Hoffman, *If, Why, and How Founders Should Hire a "Professional" CEO*, 2013). His key examples are Meg Whitman and Pierre Omidyar of eBay, Joe Kennedy and Tim Westergren of Pandora, Tim Koogle with founders Jerry Yang and Dave Filo, to which we should also add Jeff Weiner with Mr. Hoffman himself (Hoffman, *If, Why, and How Founders Should Hire a "Professional" CEO*, 2013). A large part of Hoffman's research relies on the findings of Noam Wasserman's work, *The Founder's Dilemma*.

## **6 – Marriage of The Incomplete Leader and The Founder's Dilemma**

Ethan Rouen, contributing writer to Fortune Magazine (2011) basically makes a case for the marriage of Ancona et al. and Wasserman's work in that the transition of a founder into a CEO does require differing skillsets, yet these skills can be learned in addition to making sure to hire and trust people to spearhead the roles where one is lacking. Ethan Mollick, assistant professor of management at Wharton, points out in the article that to make this successful, one must do "an honest, brutal assessment of early employees' strengths and weaknesses, cultivating knowledgeable advisors who aren't afraid to provide harsh criticism" (Rouen, 2011) and the founders must be open minded enough to listen to the criticism and decide how to incorporate what is needed. The combination of these ideals can help a founder CEO (and other founder transitions) make a successful transition if they understand that there is more to the world than they currently understand and are willing to learn.

They must also capitalize on their strengths and continue to listen to their intuition in areas that they excel, as this is where they will find their confidence in difficult times. With the self-awareness, they must find trustworthy people who excel at where the founder CEO is weak and fill those holes. Open and honest communication must exist between all of the executives so that they can carry out implementing tasks toward the company/founder vision in addition to having the opportunity to learn from each other. Lastly, the investors/VCs must be supportive of these people in their roles and help build the skills of the people in addition to the company, so that all collectively can be successful. If all of these pieces are in place and focused on a common goal, the company will improve more than if it is in disarray or combating itself from within.

## **7 – Recommendations**

A key summarization of the previously mentioned research and findings is shown below. This can and should be utilized as a recommendation for qualities and attributes of founding CEOs, the technologies, and the founding teams in which it can help guide an entrepreneur or a founding team toward success.

### **Founder CEO Personality Attributes:**

- **Know Thyself:** be self-aware of own strengths and weaknesses and open to criticism.
- **Passionate Perseverance:** hard times will be experienced, so must be ready to knock down obstacles, willing to do the hard things, and not listen to naysayers.
- **Confident Optimism (but not over-confident):** be confident of own skills and product vision, but maintain humility.

- **Independent Drive:** want independence to follow own path and focus all drive toward that goal.
- **Aware of “King vs. Rich” Scenario:** be aware of this tradeoff and understand what choices may need to be taken based on desired outcome (same for founding team).

#### Product Attribute Guidelines:

- **Think Big:** must provide at least a 10x improvement; think platform over product.
- **Challenging Need:** find a hard problem that fulfills an unmet need (scratch an itch).
- **Marketable Product/Brand Story:** put the product into the hearts of the customers (loyalty); create a convincing, easily conveyed story.
- **Adaptable Experimentation:** experiment enough to find the 80% solution with only 20% of the effort; pivot when necessary.
- **Stay Focused:** vision must remain on the product(s) and be able to be fulfilled with the available resources; don't over-extend resources.

#### Founding Team Guidelines:

- **Viable CEO:** Founder CEO must be able to lead with the trust of the team (founders, employees, and investors).
- **Imperfect Leader:** Founder CEO is not perfect so founding team should have strengths where CEO is weak; founding team as a whole should equal the perfect leader (sum of the parts are greater than the whole); Skillset variance in founding team will likely eliminate group-think.

- **Awareness of “King vs. Rich” Scenario:** be aware of this tradeoff and understand what choices may need to be taken based on desired outcome (same for founder CEO).
- **Attainable Vision:** create a vision that allows for dreaming, but has short-term step-wise attainable goals.
- **Retain Empowered Transparency:** Empower team/employees while providing decision-making transparency throughout the growth process.

Founder CEOs who are self-aware and take an honest look into these recommendations will be able to understand which areas they need to grow and where they need to look toward other people to fulfill. A better understanding of the product market and where founding technologies compare to these traits can be attained along with providing a realistic view of how big the idea and vision may be and how to think even bigger. Founding team members can best assess their own adequacies along with those around them to better understand the environment and where to look for growth internal to the founding team. Additionally, as an employee in a startup one can understand how these key components relate in comparison to the current status of the startup to gather an understanding of where potential forward growth may be. Utilization of these recommendations can help all parties involved to both better understand themselves and the atmosphere and evolution of the startup.

## **8 – Cases**

Example cases can easily showcase how research translates into real world illustrations. This section highlights five cases of founder CEOs in how they run their startups and learned lessons along the way. Each case is a bit different in leadership style, company growth, exit strategy, and path to success. The first four cases highlight successful paths of founder CEOs who have

grown one or more companies to successful exits while the fifth case displays a path of stagnation rather than growth.

Cases 2 and 4 were chosen as examples due to the fact that LinkedIn and HubSpot are both highly publicized unicorn growth companies, in addition to the fact that their founder CEOs provide quite a bit of content about their own paths and retrospection into their perspectives on both how they run their companies and treat their employees. Cases 1 and 3 were selected because both founder CEOs gave personal interviews as data for this thesis and both companies, Circle Internet Financial and Pixability, have experienced quite a bit of success so far in growth, but it is yet to be seen if they will make unicorn status. Case 5 was utilized to show what can go wrong once some success is achieved and the founder CEO does not follow the recommendations laid out in Section 7. Overall, these cases identify success and failure points of high technology founder CEOs in relevant real world examples to supplement the previously laid out research in this thesis.

### **8.1 – Circle Internet Financial CEO Jeremy Allaire**

Jeremy Allaire would tell you he's always been an entrepreneur, starting when he was a child profiting from the sale of baseball cards (Allaire, 2014). As an adult, his first experience creating a startup was Allaire Corporation, which his brother and he founded together. Jeremy felt the internet was revolutionary and would change the world and he knew he could contribute. Allaire Corporation invented ColdFusion which was a software platform that simplified the process of connecting databases to webpages. As in all startups, the Allaire brothers both spent a lot of time developing the product and building the business and at a point when investors had to be involved and they had to commit to titles; Jeremy became the CTO and his brother the CEO though they shared many of the responsibilities of both titles (Allaire, 2014). Within a few short years they grew their business from \$1 million revenues to \$120 million with over 700 employees, and finally selling Allaire Corporation to Macromedia in 2001 for \$360

million (Olavsrud, 2001). The sale also landed Jeremy the CTO position at Macromedia (Olavsrud, 2001).

However, Jeremy would not stay long at Macromedia as he cites that working in a large organization it was hard to keep his independence to work on technology projects he thought showed the most potential for growth and industry transformation (Allaire, 2014). He left in 2002 and spent a short stint at a VC firm before starting his next high-tech startup Brightcove, which hoped to transform the online video content industry (Olen, 2015). Again, Jeremy saw an opportunity in the marketplace that was ripe for change and he understood how technology could change it. Brightcove built an online video platform that distributed video across a wide array of devices. As founder CEO, Jeremy grew the company based on this platform until he took the company public in 2012 and a value of \$290 million (Brown, 2012).

Throughout these ventures, Jeremy learned many lessons to include how to leverage technology opportunities in the market and the big picture thinking he needed to go from a small to big company. Due to that, Jeremy was able to realize there would soon be innovation in the financial payments industry with the introduction of Bitcoin. Early in 2013, Jeremy transitioned out of the CEO position at Brightcove hoping to spend more time relaxing, however after he started researching Bitcoin he saw a huge market potential which prompted him to found Circle Internet Financial in the spring of 2013 to make an impact in the industry (Primack, 2013). He hopes to do for payments what he did for online video by making it easy for the consumer to make worldwide payments easier, more secure and less expensive (Cutler, 2014).



In this venture, as with his previous ones he again is leveraging VC investments in his company to quickly come to market. He credits lessons early on in Allaire Corporation that have taught him how to best use investment capital in a high-tech company (Allaire, 2014). Jeremy also understands that he is a new player in this financially regulated industry and made a point to find people he could trust to fill-in where he is weak. “We’ve surrounded ourselves with excellent outside advisors and the first key executive hire, after our CPO, was our general counsel and chief compliance officer, who has a couple of decades working with public banking companies. I take it very seriously” (Primack, 2013).

Throughout Jeremy’s years as a serial entrepreneur in high technology, Jeremy has learned how best to leverage a challenging need in which new technology can provide a 10x solution. As an imperfect leader he first knew his strengths and weaknesses starting with Allaire Corporation and made a point to grow in areas he was weak throughout all of his startups. Additionally, he knows when he must leverage others to provide expertise in areas he is not. Within himself he knows he needs independence in order to drive technology where there is need and that he feels he can only do that within his own startups. It is within these lessons and realizations that Jeremy has learned how to grow and create impactful startups and will continue to do so.

## **8.2 – HubSpot CEO Brian Halligan**

As previously noted, not every founder CEO’s path begins and ends with entrepreneurial ventures. Many start their path working for other people in large corporations building skillsets while being paid as an employee to do them. Brian Halligan is a founder CEO of this heritage. His career starts with almost 10 years of experience working at Parametric Technology

Corporation followed by a four year stint with Groove Networks until it was acquired by Microsoft. Brian's attributes much of his startup business acumen to his time at Parametric that was basically an early stage startup around \$3 million in revenue when he joined them, growing to \$1 billion when he left (Bryant, 2013).

After Brian's successes at Parametric and Groove, he pursued his master's degree at MIT Sloan School of Management where he met Darmesh Shah, his soon-to-be cofounder. Together in 2006 they created HubSpot and set out to create a 10x solution in the advertising and marketing realm; as Darmesh would say "Our idea was to build a company that solves the biggest marketing problem in existence. We're not out to make an incremental change. We're transforming the whole concept and practice of marketing" (Matrix Partners). Since 2006, the duo has grown HubSpot into a giant force in the Inbound Marketing industry, so much so that it now serves more than 10,000 companies in 56 countries and they took the company public in 2014 (Bukowiec, 2015).

Brian and Darmesh pride themselves on how they lead HubSpot by allowing for independence and productivity driven results within their teams, rather than the dictatorship hierarchies of old. Brian attributes his perspective in this area to his time at Parametric when at age 25, when he started the Asian sales arm and learned that given the chance, young people can accomplish more than they might believe they can. As he says it, "I take these young kids at HubSpot and I give them huge responsibility. Sometimes they mess it up, but more often than not they get it right" (Bryant, 2013). Brian understands that the engineers of today are very different than the engineers of old and that the established hierarchies do not align with keeping quality talent at

high tech companies (Bryant, 2013). To best monopolize on keeping talent, HubSpot puts into place a very unconventional culture in which employees are allowed freedom in many ways including their work location, roles, vacation, and any other item which once would have been placed in a company policy book.

HubSpot also offers their employees a startup within a startup experience in which if someone has a great idea for an opportunity within the company they have to prove the effectiveness of the idea in a three step process: Alpha, Beta, Version One (Markowitz, 2011). If an employee can show the idea will work, they can then lead that effort and grow the business in that area with the label of “mini-CEO” (Markowitz, 2011). Throughout this example and many others it’s evident that Brian and Darmesh value not only the independent drive within themselves, but also in those around them, which helps both the company and the individuals.

Brian is quick to point out that he is an Incomplete Leader in which he tries to pinpoint tasks in which either he does not excel or he feels aren’t beneficial for him to be doing as the CEO, and finds people to take those tasks off his plate (Bryant, 2013). He believes that in a company the whole is greater than the sum of the parts and strongly encourages the growth of the employees into areas that challenge them. Brian’s focus of organization transparency, independence, and the success of both the product and the people epitomizes the entrepreneurial spirit of the founder CEO.

### **8.3 – Pixability CEO Bettina Hein**

Bettina Hein attributes her entrepreneurial self to the influences of her grandparents in which all four of them owned businesses and taught her lessons as she was growing up that

encouraged her to do the same. She began her entrepreneurial career while she was attending university for her undergraduate degree in Switzerland by starting a college student organization called START which connected and encouraged entrepreneurs (Hein, 2011). Her leadership skills began emerging when she was in student government where she “turned the presidency into a full-time job with a salary and part-time secretary and led 5,000 students” (Olsen, 2012). Encouraged by these experiences and some prodding from her friends and family, Bettina decided to found her first company SVOX rather than pursue a “real job” after she completed her undergraduate degree in 2001.

SVOX focused on text-to-speech software in the automotive and mobile industries. As CTO of SVOX, Bettina helped lead the company to a sale for \$125 million after 10 years of growth (Olsen, 2012). In deciding what to do next, Bettina took a one year stop-over at MIT as a Sloan Fellow where she heard Clayton Christensen discuss disruptive technology and his book *The Innovator’s Dilemma* (Olsen, 2012) (Hein, 2014). His teachings made her more aware of disruption in the video space with the onset of web and mobile devices which pointed her in the direction of her second company, Pixability. She believed innovation would explode in this area in regards to mobile platforms becoming more popular and she knew she could create a company that would dominate the market.

Bettina not only wanted to make an impact on the video world, she also wanted to make a difference by creating employment. Her dream is to continue to make a significant effect by employing thousands of people through the companie(s) she builds. It’s important for her to be transparent in this manner, as she learned with SVOX that laying off people is a very difficult

thing. With that, she's made a point to grow her company slowly, as she does not want to replicate that experience (Hein, 2014).

Bettina believes that entrepreneurs must have three characteristics to be successful: "naïveté – in order to see things differently; chutzpah – to be unafraid to shake things up; and persistence/perseverance – to keep things going when times get tough" (McGugan, 2015) (Hein, 2014). These key traits are what not only contributes to the initial entrepreneurial leap, but also helps them be successful while building the business.

Bettina goes out of her way to help young entrepreneurs by mentoring when possible, especially women. As mentioned before, her first experience growing in that area was with her student led organization of START, and most recently her efforts helped build the SheEOs in Cambridge, Massachusetts with over 160 members. The SheEOs is network of women CEOs who meet to discuss mutual interests within their companies (Hein, 2011).

Bettina continues to find ways to innovate and provide vision and execution within Pixability. She believes her weaknesses are patience and perfectionism which she tries to find ways to curb and often involves leaning on others to manage tasks in which she might do so (Hein, 2014). Bettina exemplifies the success as a founder CEO and will continue to push the envelope in high technology startups of her own.

#### **8.4 – LinkedIn CEO Reid Hoffman**

Reid Hoffman founded LinkedIn in 2002 after having some experience working at Apple, Fujitsu Software, theSocialNet (his own start-up), and PayPal. He planned early in his career to work from some renowned big companies to learn some tricks of the trade in the software world and

then try his hand at his own startup. He did so and then founded his first company theSocialNet in which he received some VC funding and started growing the company. However, it wasn't long into that venture that he figured out it had some flawed ideas and he soon abandoned theSocialNet and went to work at PayPal where he was a board member at the time. At PayPal he was in charge of external relations and he made some nice profits when PayPal was sold to EBay (Hoffman & Lacter, 2009). In late 2002, Reid and a few of his PayPal colleagues decided to found LinkedIn.

From the start, Reid understood that he had weaknesses and his cofounders should have skills in those areas to compliment him in addition that trust between them was essential (Kim, 2011). He also knew his strengths. He knew he loved the beginning of a startup when its "The small team, building a brand-new product, out-innovating complacent incumbents...not only is the experience fresh and exciting, it also focuses on the things most founders love—especially technical ones: Solving interesting problems, developing new technologies, devising a unique strategy" (Hoffman, 2013).

In regards to product, Reid knew he had a "think big" idea that met a challenging need on which he could focus. He points out that if most people aren't sure about the idea it's a good sign, as one should hope to be roughly five years ahead of the boom of it, so it will be an unpopular idea in the beginning. He says "Part of being a great founder is being able hold your belief, but also being smart enough to listen to criticism and negative feedback. It's not about losing confidence, but being patient" (Kim, 2011). It's evident that statement that he is aware that he must have confident optimism.

Reid understood that vision is critical to a company and the groundwork must be laid creating implementable steps to that vision making it attainable (Hoffman, 2011). Within LinkedIn, he made sure there was transparency not only in how the company was making decisions and how the vision and product growth was aligned, but he made a point to have transparency with his employees. He wanted trust and honesty about each employee's career ambitions so that they could try to accommodate that within the company. When the opportunities did not align with the employees wants, all parties understood that and there was understanding when an employee decided to leave to new opportunities better aligned with their aspirations (Hoffman, Casnocha, & Yeh, 2014).

After leading LinkedIn for four years, Reid decided to give up the CEO role in order to better follow his own passions. He knew he wanted to focus on vision and long term strategy to innovate the market and understood that the company had grown to a point that new tasks were going to be required by the CEO to start focusing on daily product team operations and optimization (Hoffman & Lacter, 2009). He was aware of the "Rich vs. King" scenario and that he and everyone else is not a perfect leader and understood that this move was best for the growth of the company.

While no founder CEO is perfect, it is evident that Reid Hoffman utilized the key recommendations throughout his time at LinkedIn to create the best situation for both himself and the company. Personally, he knew himself, showed confident optimism and independent drive while understanding his needs in the "King vs. Rich" scenario. For the company and the product he thought big, but kept an attainable vision fixing a challenging problem with a large

market. Lastly, he maintained empowered transparency throughout the company and stepped down from the CEO role when he knew the duties no longer aligned with his skills and strengths. Most importantly, he willingly made the transition which allowed for his input into a new CEO and a positive transition which left the company in a better position rather than in conflict. Reid's experience with LinkedIn provides a positive example as to what is possible for self-aware founder CEO.

### **8.5 – Globe United CEO Jesper Jones<sup>4</sup>**

Jesper Jones saw a technology opportunity he thought he could leverage to create a giant technology startup called Globe United. He laid the groundwork to recruit some of the best talent in the space by luring them in with promises of great growth, self-satisfaction, and personal wealth. Jesper was a credible person coming from an Ivy League school, great self-proclaimed accolades and success at a large government contractor, and very personable and persuasive personality. He quickly had a small team of great people to push forward on a prototype delivery for the government. At first glance, Jesper has all the typical personality characteristics of optimism, vision, drive, and a technological solution that could provide 10x improvement on existing products. The company made great strides and grew exponentially the first 3 years.

However, during the company's fourth year, it became stagnant; hiring slowed, contracts diminished, morale and enthusiasm declined. At this point, Jesper worst traits started to show themselves to the staff as he had no problem berating and belittling team leads, changed

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<sup>4</sup> Names have been changed for anonymity



product trajectory on a whim, and could do nothing but praise his own actions. Jesper would often be heard preaching one course of action with a customer and/or a product, but his actions would be in opposition to his words. What started off as a very open, trusting, and adaptable company quickly turned into an irrational dictatorship.

The staff all had a great deal at stake, as they had all put in many hours and hard work into the company and the technology. They felt the company was in a decline, but did not want it to go down without a fight to make it better. They thought that they could put processes into place to help regulate the product development as well as the irrational requirements changes from Jesper. Additionally, they united together creating a team atmosphere that promoted loyalty amongst the software development team so they would not lose any of their talent. The staff believed that if they made a concerted effort to align all of these things together, that Jesper would see a better path forward and unite with them to get the company back onto its growth path.

What the staff didn't understand is that they were dealing with the misalignment of both *The Incomplete Leader* and Mr. Wasserman's *Founder's Dilemma*. First, Jesper's ego had grown so big from the early successes (which he attributed only to himself) that he could not understand his own limitations nor was he open to anyone else being able to do anything better than he. He believed he was "The Complete Leader" and possessed all of the possible traits of a good leader and was not open to hearing recommendations from those around him. Above all, he thought he could be "King and Rich", which continued to fuel his frustration because the business was not growing as he had expected.

Due to Jesper's lack of self-awareness and openness to learn from those around him, he was furious and irrational when the staff pushed to institute helpful solutions. While he had always told the staff that they are the ones that could impact the company for better, he was never open to hearing what solutions they posed and instead looked at their efforts as mutiny and insurrection. This reaction both baffled and disheartened the staff. They continued to try to make things better, but soon they understood that they were not going to be able to impact change within the organization. Within a few short months, almost all of the founding team left to both escape the constant tirades of Jesper and to pursue better opportunities.

Evaluating this case based on the recommendations in section 7 – it is easy to understand where Jesper went wrong. Concerning his performance, he fell short in know thyself, confident optimism, and awareness of “Rich vs. King”. He was not self-aware enough to acknowledge he had weaknesses believing that he was a perfect leader that could be both “Rich and King” in addition to falling into the over-confident trap of early successes. The product aligned with almost all of the recommendations except a creation of a marketable product/brand story and in the end all of the interpersonal issues with the CEO made the whole company temporarily lose focus. The founding team should have taken care to better understand the personality of the founder CEO in that he wasn't viable long-term, he believed he was the perfect leader and that he would be “Rich and King”. With those characteristics, it was impossible for the founding team to retain empowered transparency.

As is evident in many startup company stories, there are many pieces to keep in place and without alignment with the founder CEO, it is very easy for the company to lose track of their

goals and fall apart. Jesper could have learned from this situation by being more self-aware and understanding that his actions were limiting the growth of the company. When his colleagues came to him with issues, he could have listened and made changes. Even better would have been to not only tell them they were empowered, but to actually provide the action that aligned with that promise. The outcomes could have been better for Jesper, all of the founders and staff, and ultimately the success of the company if all parties had spent more time understanding themselves and their goals for both the company and the other founders.

## **8.6 – Summary**

Startup founder CEOs take many paths of entry into the entrepreneur realms of business. As evident by the examples of Reid, Brian, and Jesper, some founders find that it is important to first attain skills as an employee in an effort to be more confident in their future positions. Other founders, such as Jeremy and Bettina, start early with great technology ideas and cannot imagine giving up their independence nor giving up on the opportunities when presented to them. In all of the cases, the founders show confident optimism and took the leap into entrepreneurship when they felt they were ready and the technology would provide a 10x improvement to the world. Reid and Brian both spend a lot of thought on how to make their employees successful and to have transparency throughout the company, as they believe the company performs best in this situation.

All the founders excluding Jesper, pay attention to knowing their strengths and weaknesses and to be an Incomplete Leader, so they can focus on providing the most value with their strengths and look to other trustworthy leaders within the organization for competency in areas the

founder is weak. If Jesper paid more attention to this and his market, more success could be found in the company. Overall, this set of cases illustrates all of the key recommendations in Section 7 in both positive and negative examples.

## **9 – Conclusion**

In an effort to better understand the contributing factors of success, many researchers have studied successful people and companies. As in all things, the research attributes success to many different factors some of which are opposing views. The evidence highlighted in this paper points out that it's highly likely that founder CEOs will be persistent, confident, optimistic, and passionate and that they will not be perfect in their decision making for their companies; none of which is surprising. The idea that it's not possible to have it all (“King vs. Rich”) is not uncommon either, but there are some examples of the unicorn startups of the world in which their founders do have it all (money and power). However, this is the very tiny minority in which this happens, and in most realities the startup founder will actually fail. Yet knowing what we know about entrepreneurs, this statistic will not stop them from having the confidence to believe the dream that they will also be the exception.

As one might predict, throughout all of the research, writings, opinions, and thoughts concerning founders' success, it is evident that there is no one way to do it and no cookie-cutter personality set or skills that if one accumulates will equate to success. Each successful founder CEO has forged their own voyage and reaped various benefits both inter-personally and externally (worldly rewards). None of them experienced an easy road and none of them were handed the “golden keys to success”, but rather they learned and earned along the way.

In the interconnected virtual world today, it is possible for others to understand what problems they will face from listening and learning to those who have failed and succeeded, but in the end must still forge their own path and nurture their skills. No one is born with all the answers or all of the necessary skills; no one is perfect.

Many founders will fail and many will end up with much smaller companies and products than they envisioned. Success can be found within all of these paths, as it's really in the eye of the beholder. Although painful, many founders learn pertinent lessons in failure and often there are better opportunities waiting for them around the corner. The company does help society while it is trying to build in that it provides jobs, drives innovation, and provides opportunities for many people other than the founders. Small and medium sized companies who do not make it to unicorn status, still provide their founders success and society the aforementioned benefits. They can create a "lifestyle company" for their leaders in that they earn a lot of money, experience, and control but just do not expand in an exponential manner. These companies are actually the bread and butter of the USA. Essentially, each founder CEO will have their own experience and learn their own lessons.

Throughout this paper it is evident that the research states that the founder CEO must truly know her/his self and with that understanding they can make better decisions. Ancona et al. point out that acknowledging the strengths and weaknesses will give the company greater opportunity for growth and more trust will be built in the leader. Wasserman elaborates that the sooner the founder CEO acknowledges that they must choose between "King vs. Rich", the better they will make decisions for both their own prosperity and the company's. Various

authors cited throughout the paper agree in the understanding that a person is human and allowing for transparency will actually help rather than hurt a company and the individual. Even though entrepreneurs lose more than win, startups are a great benefit to society and employees and the founder CEOs learn many hands on lessons.

### **9.1 – Further Research**

There was a large divide in the founder CEOs that were interviewed in that half of them believed it could be essential to a business to utilize VC money in order to attain certain amounts of growth as seen by companies such as Uber, Facebook, Dropbox, etc., and the other half didn't want to have anything to do with VC funding, some of which going as far as calling them "vulture capital". Majority of the research for this paper solely relied on data in which founders utilized VC money to grow their companies. There is need for more research in areas where founders grow their companies without VC funding and utilize their own money, debt, or sales revenue.

### **9.2 – Final Thoughts**

As a parting thought to all those who read this and feel motivated to make your own path following the entrepreneurial way, here are some motivational words:

"The fact is we have a responsibility to take great risks because in truth, we have few true risks at all. I believe a life fully lived should be lived boldly, loaded with chances to push yourself to the greatest extremes of your abilities. We should be grateful that we have those kinds of opportunities. Seize them."

(Kidder, 2012)

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