

Master Seminar (7 ECTS) in the Summer Term 2018 "Founders, Inventors and Owners: Decision Making in Startups"



Thomas Alva Edison
Inventor & Businessman



Elon Musk
Visionary & Founder



Oliver Samwer
Investor & Founder



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Founders, Inventors, and Owners: Decision Making in Startups

In 2001, **Elon Musk** formed the vision to enable humans to become a spacefaring civilization and a multi-planet species. In order to realize his vision at the intersection of space transport and tourism, he decided to launch "SpaceX", the first and largest private manufacturer of rockets where he is still active as lead designer and CEO. **Oliver Samwer** and his brothers founded "Rocket Internet" to exploit their idea to incubate and invest in internet-based companies with proven business models. **Arthur Fischer** and **Thomas Alva Edison** are well-known as successful founder-inventors – both record more than 1,000 granted patents and built big businesses. However, they differ. While Arthur Fischer is an archetypical inventor of gadgets and technologies, Thomas Alva Edison is often said to have combined existing technologies which he successfully commercialized based on his keen awareness of applications for these existing technologies and promising market opportunities.

In this seminar, we will focus on the drivers of founders' decision-making. Is it their vision, their responsibility, or their autonomy? What role does ownership in the company play? How do the different founder types differ? We will explore these questions by investigating the mechanisms that influence founders' decision-making.

Research Topics

Recent literature has started to examine key strategic decisions of founders with respect to growth and success (Garg & Eisenhardt, 2017; Wasserman, 2012). However, so far research has sparsely focused on the decisions related to **innovativeness** of the firm. However, founders might think and act as “**inventors**” beside their roles as “**owners**”, and “**managers**”. Prior research shows that **founders' scientific and technical knowledge** might be central for the identification and choice of market opportunities to commercialize inventions (e.g. Gruber, MacMillan, & Thompson, 2013), while **founders' firm-specific experiences** positively influences the quality of decision related to resource allocation (Kor, 2003). **Founders' ownership stake** impacts both founders' incentive structure (Wasserman, 2006) and provides them with decision-making autonomy (Foss & Klein, 2012). Tzabbar and Margolis (2017) show that founders' **managerial responsibility** positively affects the use of founding team's knowledge. In the seminar, we will examine the direct and interdependent effects of the different mechanisms on decisions-making of founders and founding teams. Detailed descriptions of the topics and literature references will be provided during the kick-off meeting.

Objectives

Apart from providing a broad overview of the literature and current research topics in the field of entrepreneurial decision-making and innovation, the seminar aims at **enhancing participants' scientific writing and presentation skills**. Thus, students will be **prepared for conducting their own research** in the scope of their final theses. Successful participation in the seminar will increase the chance of being accepted for a final thesis at the chair.

Assessment:

Participants are expected to write a paper following the standards of academic writing. In addition, each participant has to present his or her topic (15 minutes) and critically review the work of a fellow student in a short 5 minutes presentation. Although English is encouraged, the paper and presentations can be in English or German. For the seminar paper, the chair's guidelines apply which will be discussed at the beginning of the course.

The following contributions will be evaluated for the final grade:

- Scientific seminar paper (12 pages)
- Presentation (15 min)
- Short peer review presentation (5 min)
- Active participation in the discussions

The topics will be presented in the first kick-off meeting. At the end of this meeting, all participants submit their topic preferences which we will take into account for the assignment of topics. You will be informed about your topic the day after the kick-off meeting.

Application Procedure

Students can apply for the course from **until January 19, 2018**. Please fill in the registration survey (<http://bit.ly/2B6owtG>) and send your complete application documents as one PDF to Laura Körner (laura.koerner@uni-passau.de). In addition, please register on Stud.IP (39499 Seminar: Masterseminare – Anmeldung SS 2018). You will be informed whether your application has been successful at the **latest on January 26, 2018**. After your confirmation your participation is obligatory. Successors will be notified by February 9, 2018.

Schedule

(Please note that the following schedule is preliminary and may be subject to changes)

Closing Date January 19, 2018 12:00 a.m.	1. Fill in the registration survey: 2. Submit your application as one PDF to laura.koener@uni-passau.de
Confirmation of Participation at the latest on February 2, 2018	Please confirm your participation via email
Kick-Off Meeting and Introduction to Scientific Writing April 13, 2018 Room: tba	<ul style="list-style-type: none"> ▪ Overview of the topic ▪ Presentation of topics for seminar papers ▪ Submission of preferences for topics ▪ Introduction to scientific writing
Guidance Meeting 1 April 27, 2018 Room: tba	Submission and discussion of abstracts and table of contents
Guidance Meeting 2 May 18, 2018 Room: tba	Discussion of progress
Guidance Meeting 3 (voluntary) June 4, 2018 Room: tba	Discussion of progress
Introduction to Scientific Presentation June 4, 2018 Room: tba	Introduction to presenting scientific work
Submission of Seminar Papers June 11, 2018 Room: tba	Submission of seminar papers to Ulrike Ammer, Innstr. 27, room 111 and as PDF to laura.koerner@uni-passau.de
Final Presentations June 18 & 19, 2018 Raum: tba	Presentations of seminar papers and peer presentations

Exemplary Literature

1. Wasserman, N. 2012. The Founder's Dilemmas: Anticipating and Avoiding the Pitfalls That Can Sink a Startup. Princeton University Press.

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

2. Gruber, M., MacMillan, I. C., & Thompson, J. D. (2013). Escaping the prior knowledge corridor: What shapes the number and variety of market opportunities identified before market entry of technology start-ups?. Organization Science, 24(1), 280-300.

Abstract: The choice of the firm's market environment is one of the fundamental decisions of firm founders. We study the pre-entry generation of founders' market choice sets by investigating their search for market opportunities in which the firm's technological resources, as embodied in a product or service, can be commercialized. Analyzing data collected through personal interviews with founders of 496 technology ventures, we find that founding teams with more diverse industry experience and more diverse external knowledge sourcing relationships identify not only a larger number of but, in particular, more varied (distant) market opportunities. However, the extent to which strategic variety of such opportunities is identified depends on the founders' technological expertise, whereas technological expertise is less relevant in identification of the number of opportunities. Furthermore, by showing that the extent and nature of the firm's pre-entry opportunity set has a significant effect on the likelihood of subsequent firm diversification, we document how initial constraints in founders' choice sets can have a lasting impact on the growth potential that the new firm exploits over time. We discuss the implications of our findings for the literatures on organizational learning and innovation, entrepreneurship, as well as the strategy literature examining firm growth, diversification, and value creation.

3. Garg, S., & Eisenhardt, K. M. (2017). Unpacking the CEO–Board Relationship: How Strategy Making Happens in Entrepreneurial Firms. *Academy of Management Journal*, 60(5), 1828-1858.

Abstract: We examine how venture CEOs effectively engage their boards in the strategy-making process. Using the inductive multiple-case study approach, we track CEO-board interactions inside and outside the boardroom in depth and over time through rare observations of board meetings and rich interview access to CEOs and their boards of directors. Our primary theoretical contributions are to the resource dependence perspective. We clarify the resource versus power tradeoff as a fundamental tension in venture CEO-board relationships. Further, we add a much-needed process framework to resource dependence by highlighting how venture CEOs use four behaviors to resolve this tradeoff in an effective strategy-making process. Finally, we contribute a fresh view of the venture CEO-board relationship--i.e., spotlighting the CEO (not board) and boards as CEO-director dyads (not groups). We conclude by noting implications for other key corporate governance perspectives, and indicating boundary conditions for our framework. Overall, we deepen the conversation at the nexus of resource dependence theory and venture governance.

Bibliography

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- Kor, Y. Y. 2003. Experience-based top management team competence and sustained growth. *Organization Science*, 14(6): 707–719.
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