

Entrepreneurship – Session 8 (November 05)

Prof. Dr. Nicola Breugst

Technical University of Munich

TUM Entrepreneurship Research Institute

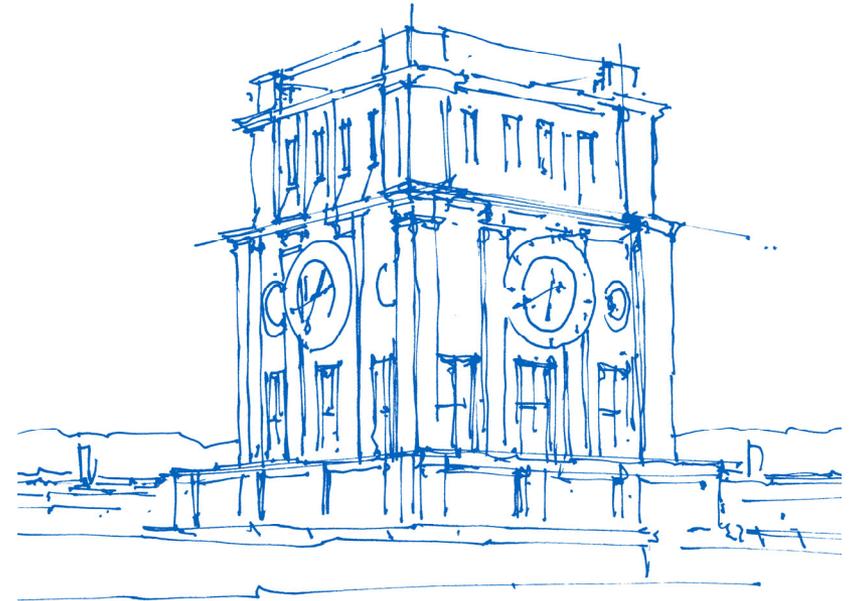
Professorship of Entrepreneurial Behavior

Munich, Winter Semester 2025/2026

More information about our institute on:

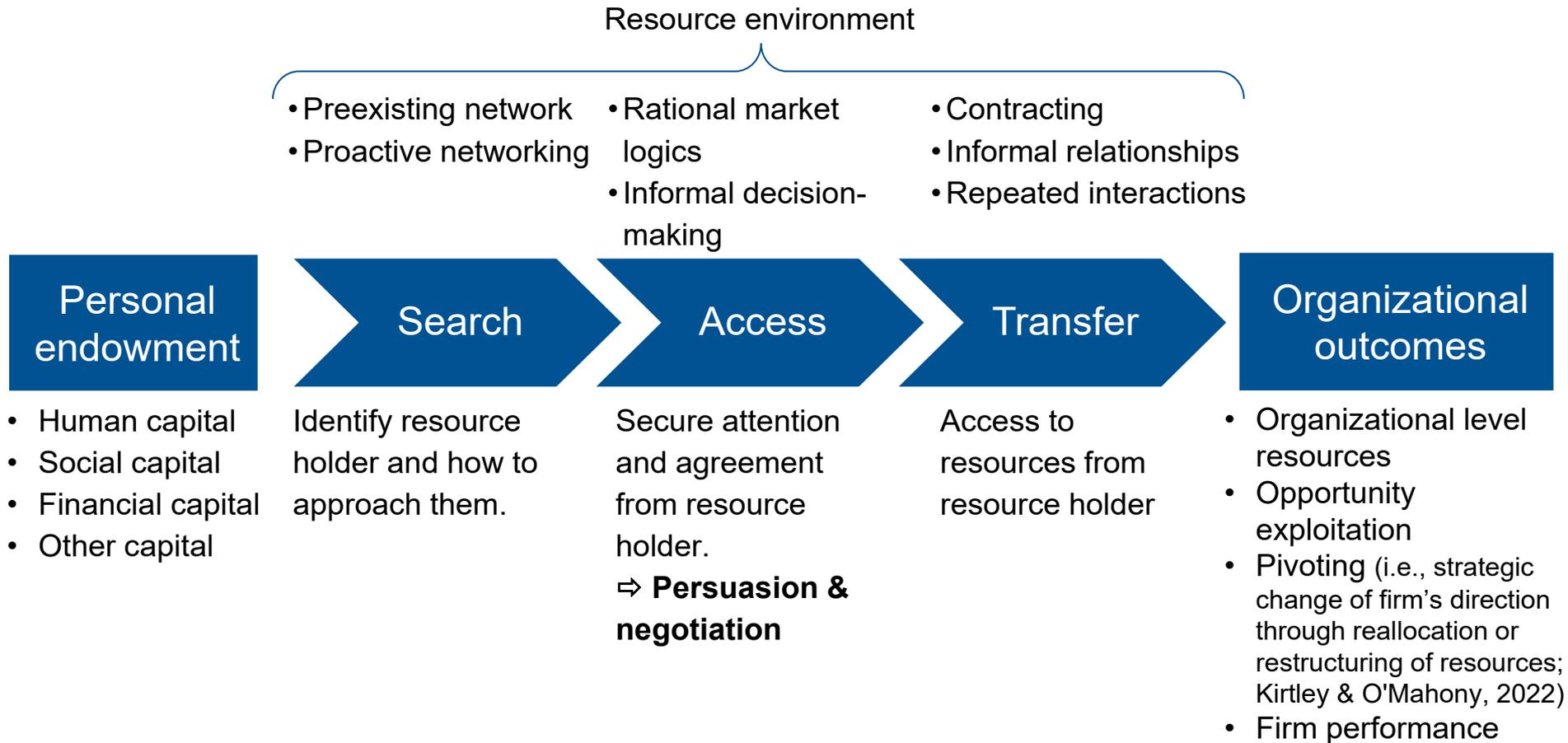


www.linkedin.com/company/tum-entrepreneurship-research-institute



Uhrenturm der TUM

Resource mobilization



(based on Clough et al., 2018)

Persuasion and negotiation – Take aways

Think of yourself

- Know your goals
- Define the minimum acceptable compromise
- Be aware of your BATNA
- Draft possible negotiation strategies (but do not risk the relationship to the partner!)

Successful negotiations

Keep your partners in mind

- Imagine their goals (how do you provide value?)
- Be aware of their BATNA
- Be aware of negotiation strategies
- Think of the potential of a long-term relationship

Example – Multiple Choice Question

As a founder of a startup, you are negotiating with a partner who might help you distribute your innovative product. The partner tells you that for distribution they would take 10% of the product's revenues, but that they would list it in several catalogues at a premium position. Moreover, the presentation of the product at trade fairs they join would be free. This technique is called:

- a) Door-in-the-face
- b) That's-not-all-folks
- c) Foot-in-the-door
- d) Low-balling

Course overview

#	DATE	TOPIC
1	Oct 14	Introduction
2	Oct 15	Who is the “entrepreneur”?
3	Oct 21	How do entrepreneurs recognize opportunities?
4	Oct 22	How do entrepreneurs develop opportunities?
5	Oct 28	Guest lecture by Csilla Spiller (Beautechful)
6	Oct 29	How do entrepreneurs structure business opportunities?
7	Nov 04	How do entrepreneurs gain and allocate resources?
8	Nov 05	How do entrepreneurs manage their teams?
9	Nov 11	Putting content into play: Interactive workshop. <i>Please bring a computer. (Session during student assembly, no new content.)</i>
10	Nov 12	Guest lecture by Leonhard Teichert (Circular Republic)
11	Nov 18	Guest lecture by Stefan Schenk (PeterPark)
12	Nov 19	How do entrepreneurs enter their markets and how do they grow their ventures?
13	Nov 25	Guest lecture by Inga vom Holtz (UnternehmerTUM Funding for Innovators)
14	Nov 26	Q & A Session
	Dec 12	Exam

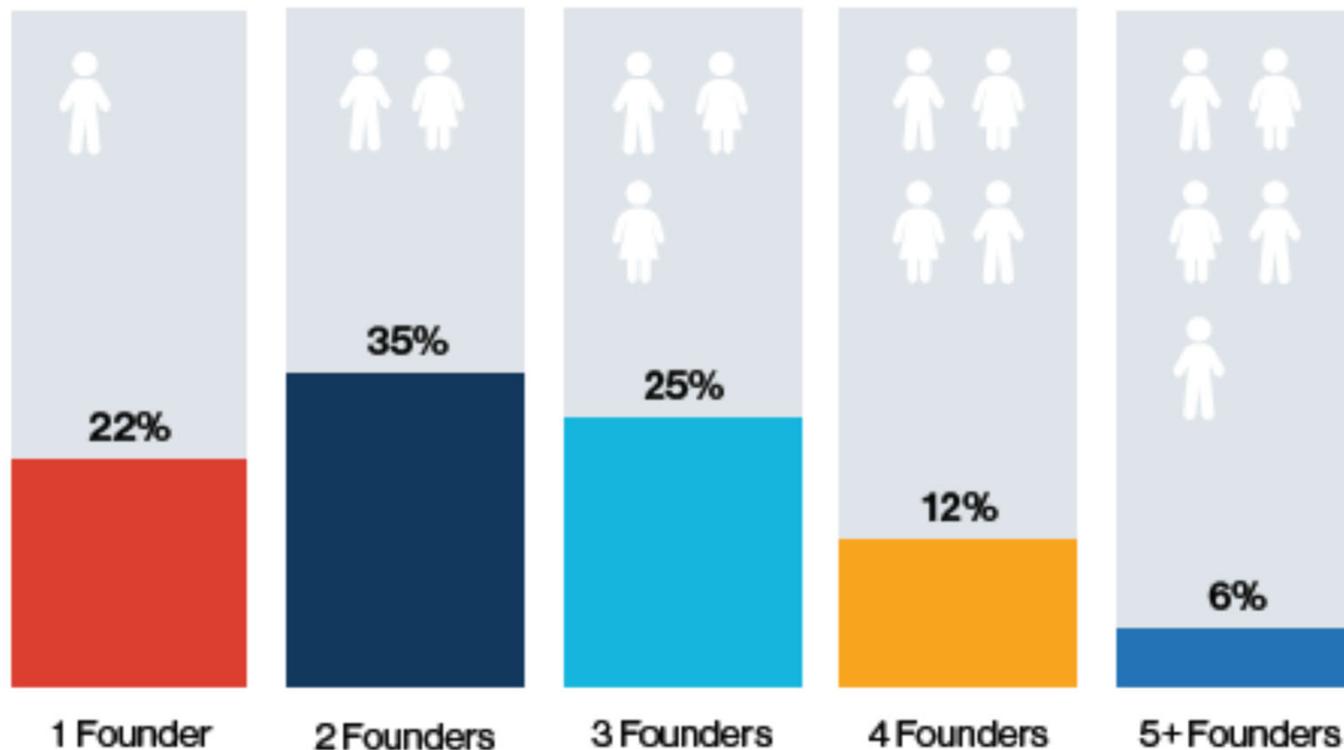
Definition of entrepreneurial teams

- At least two individuals
- Active part in the creation and development of a business
- Key role in strategic decisions
- Equity ownership (usually more than 10%)



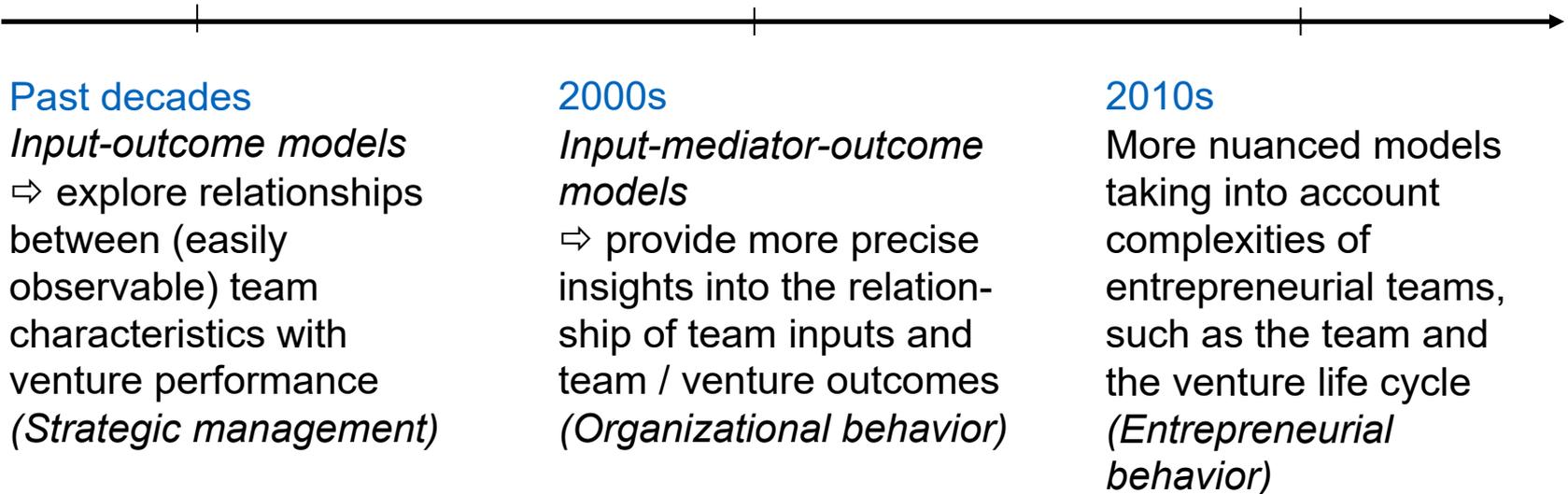
Taking a look at European startups

Prevalence of entrepreneurial teams based on team size



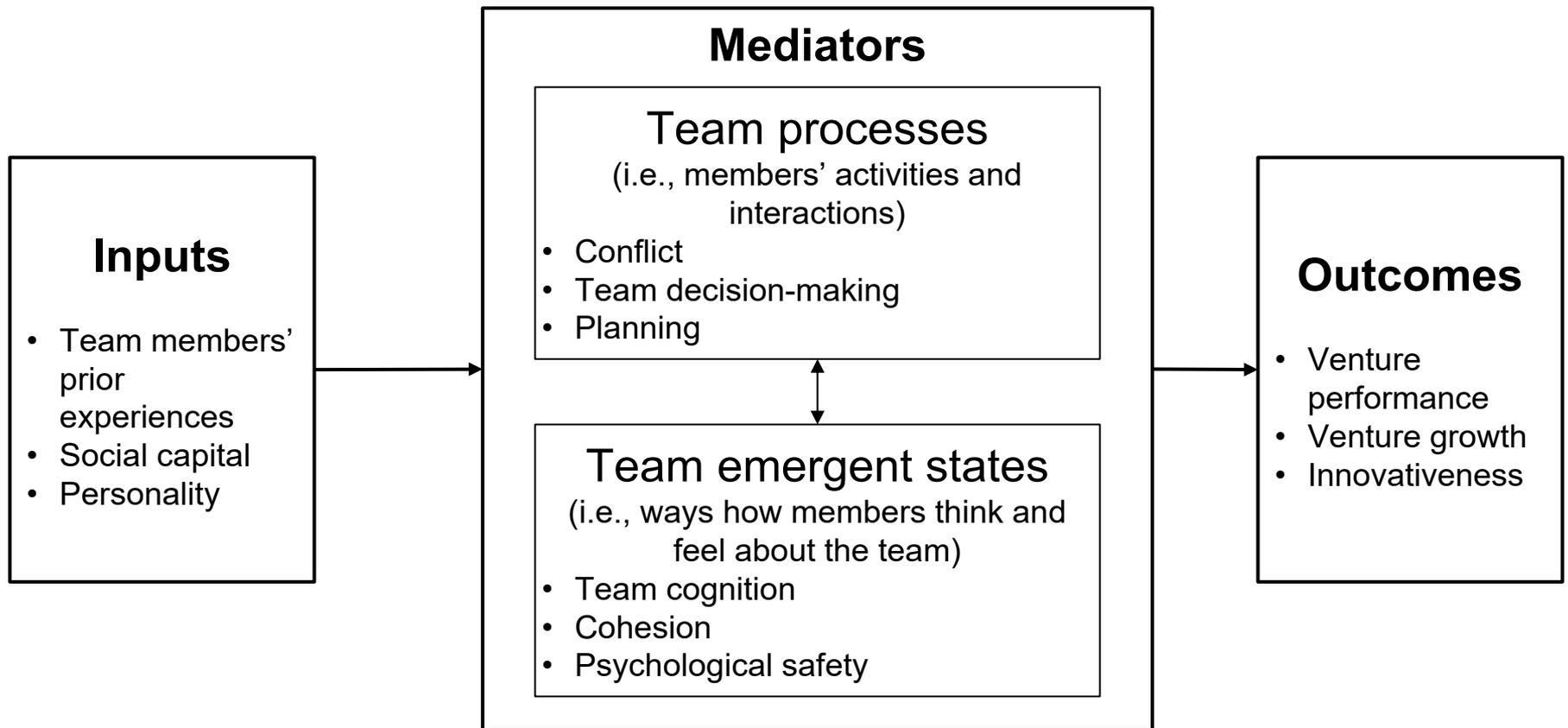
Bormans et al. European Startup Monitor 2019/2020.
Sample includes 848 responses from 31 countries

How does research try to understand entrepreneurial teams?



(Klotz et al., 2014; Patzelt et al., 2021)

Input-Mediator-Outcome frameworks to understand entrepreneurial teams



(adapted from Klotz et al., 2014)

The entrepreneurial team journey

1

How to find team members?

- Balancing getting ahead and getting along

2

How to set up the team?

- Co-founder agreement
- Equity split

3

How to manage the team?

- Visions
- Managing conflict

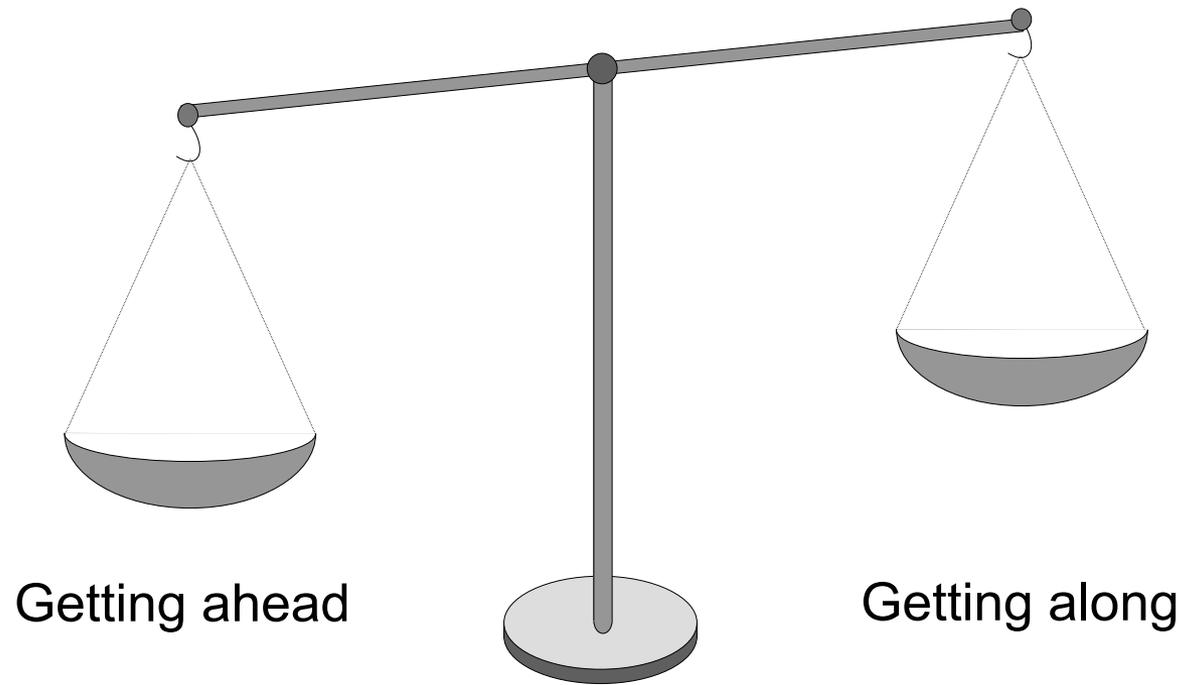
1 Team composition – heterogeneity vs. homogeneity



?

Is heterogeneity or homogeneity the route to success?

1 Team composition



1 Team composition – prior ties

Table 6.3 Descriptive statistics for teams of owners: Panel Study of Entrepreneurial Dynamics, I (1998–2000) and II (2005–2006)

Variable	Response	PSED I		PSED II		Significant sample difference?
		Cases	Weighted % / mean	Cases	Weighted % / mean	
Relational composition ²	With spouses/live-in partners	412	54.7	586	51.5	No
	With nonspouse family member		18.0		19.6	No
	With business associates		20.2		16.4	No
	With other friends/ associates		25.1		24.5	No

² Indicates whether relationship is present for *any* pair of owners. Excludes single-owner firms.

(Ruef, Bonikowski, & Aldrich, 2009)

“The Panel Study of Entrepreneurial Dynamics (PSED) research program is designed to enhance the scientific understanding of how people start businesses. The projects provide valid and reliable data on the process of business formation based on nationally-representative samples of nascent entrepreneurs, those active in business creation.” <http://www.psed.isr.umich.edu/psed/home>

2 What to do in teams based on strong ties?

Benefits

Often connected to more psychological safety.

Enjoy that you avoid one type of uncertainty (relational uncertainty).

Build on joint values, connect them to your firm values, and your firm's culture.

Challenges

Learn to have fights (distinguish between relationship and task conflict).

Reflect about old and new roles.

Speak early about potential changes in team composition.

Make sure to include others, such as future team members, employees.

Co-founder agreement can help to professionalize relationships!

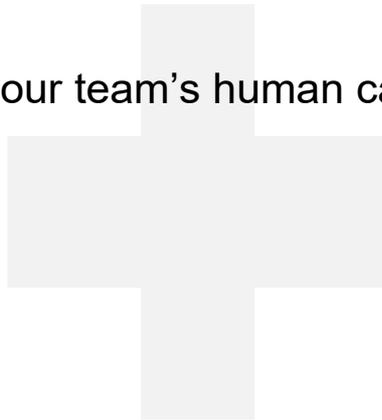
(Hunsaker, Pavetta, & Hunsaker, 2011; Mathieu & Rapp, 2009)

2 What to do in teams based on weak ties?

Benefits

Enjoy flexibility in search for potential partners.

Maximize your team's human capital.



Challenges

Make sure to understand others' values and vision.

Define your relationship and potential transformations.

Discuss rules and roles to establish fairness and trust.

Think about introducing certain rituals and routines.

Co-founder agreement can help to build up team!

2 Examples for building blocks of a co-founders' agreement

Working on the venture

- How connected is the venture with you personally? What are your values for it?
- Which type of venture do you want to build?
- What are your goals and visions?
- What does high performance mean for you?
- How do you want to represent firm to the outside? How do you want to work with which type of stakeholder?

Working together

- Who will be responsible for what activities? Who takes care of general/ less comfortable tasks?
- How do you make decisions? How important is consensus? What to do in a deadlock?
- Who has contributed what? How do you measure contributions?
- How do you ensure expected contributions?
- How can team members be rewarded and sanctioned?

Future

- How could you build up or integrate new competencies?
- How could you “break up?”
- When and how should the document be reviewed?



Conversations about these topics may already help! Get inspired by online resources, such as “50 Questions to Explore with a Potential Co-Founder.”

2 How to set up the team?

Equity distribution in entrepreneurial teams

- In entrepreneurial team, distribution of equity is the entrepreneurs' "first deal" (Hellmann & Wasserman, 2017)
- Typically, teams split quickly and agree on an equal split without longer discussions
- Negotiations about equity are often emotional and even stressful
- Besides money, power and control in the venture are crucial issues

(Breugst et al., 2015)

2 Criteria for the equity split

Backwards orientation

- Idea premium
- Capital contribution
- Opportunity costs

More certainty about contributions (but not necessarily agreement).

Forwards orientation

- Prior experiences, e.g., entrepreneurial or industry experience
- Level of commitment
- Titles

“when the pie is split, 95% of the work required for success remains in the future.”

(Wasserman, 2012, p. 155)

(Wasserman, 2012)

2 Timing of the equity split

Split earlier

- Attract team members with an equity incentive
- Previous work experience with co-founders in another start-up
- Time for calm negotiation before pressure to split

Split later

- Team members' contributions and commitment not clear in the beginning
- Future incentives are available
- Business model and roles will form over time
- No renegotiations are necessary after fundamental changes

(Wasserman, 2012)

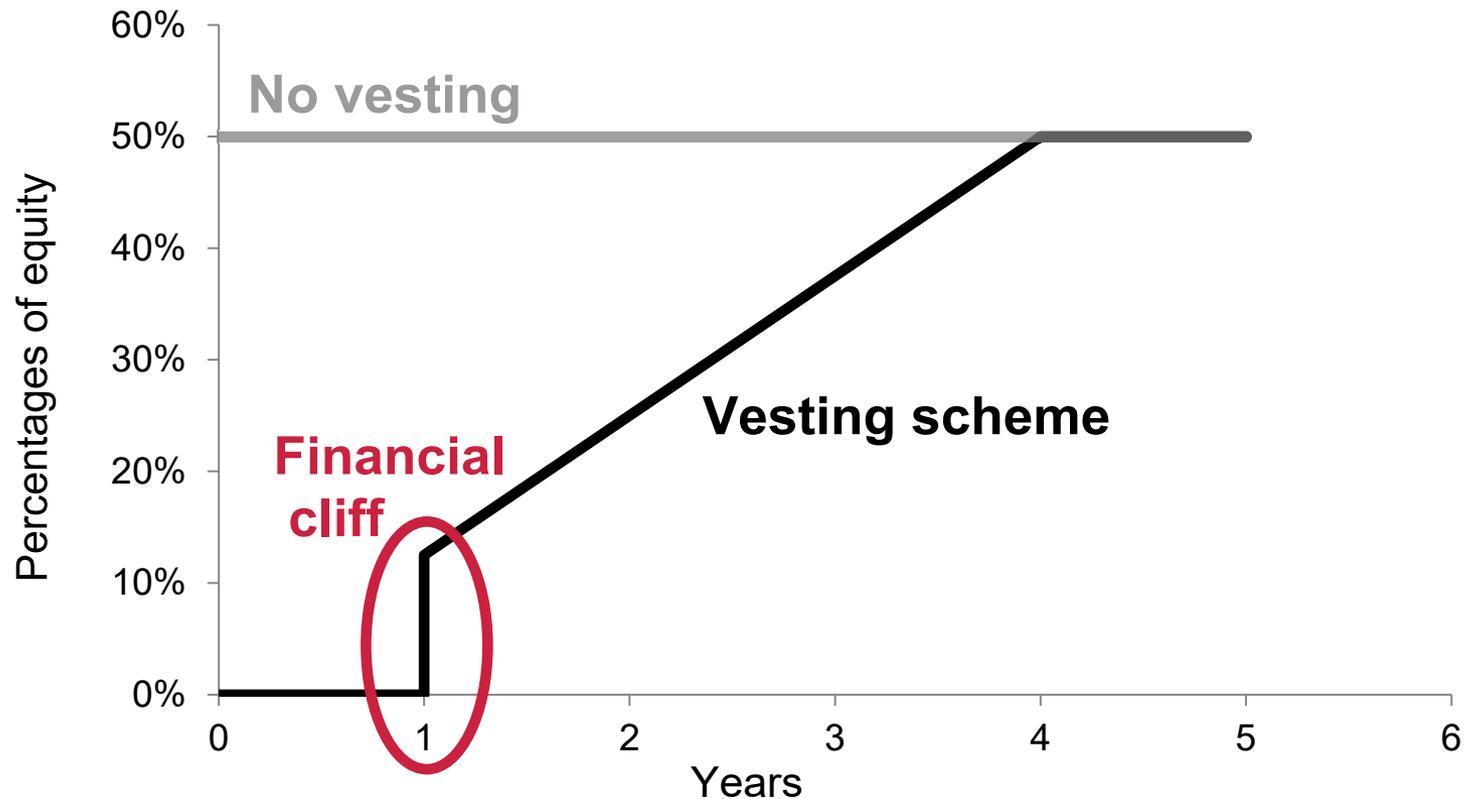
2 Static vs. dynamic split

- Uncertainty and changes in team members contributions.
- Vesting can help to keep equity split fair over time because founders need to earn equity stakes
 - Based on time
 - Based on milestones
- Advantages if team members leave early (unvested portion can be reallocated)
- Not perfect, but protection for all team members

(Hellmann & Wasserman, 2017; Wasserman, 2012)

2 Example for vesting model

- One founder in a team of two
- Equal split
- Total time period: 4 years
- Financial cliff after 1 year



2 Many more things to consider...

How about some tools (e.g., <http://foundrs.com>)?

- 👍 Great as a basis for discussion
- 👎 No dynamic split
- 👎 Most applicable to app/ platform development
- 👎 Simplification of complex decision (additional factors, different weights of contributions)
- 👎 Emotional aspects of decision not included (What feels right? How can distribution inspire motivation?)

2 Curious to experience an equity negotiation

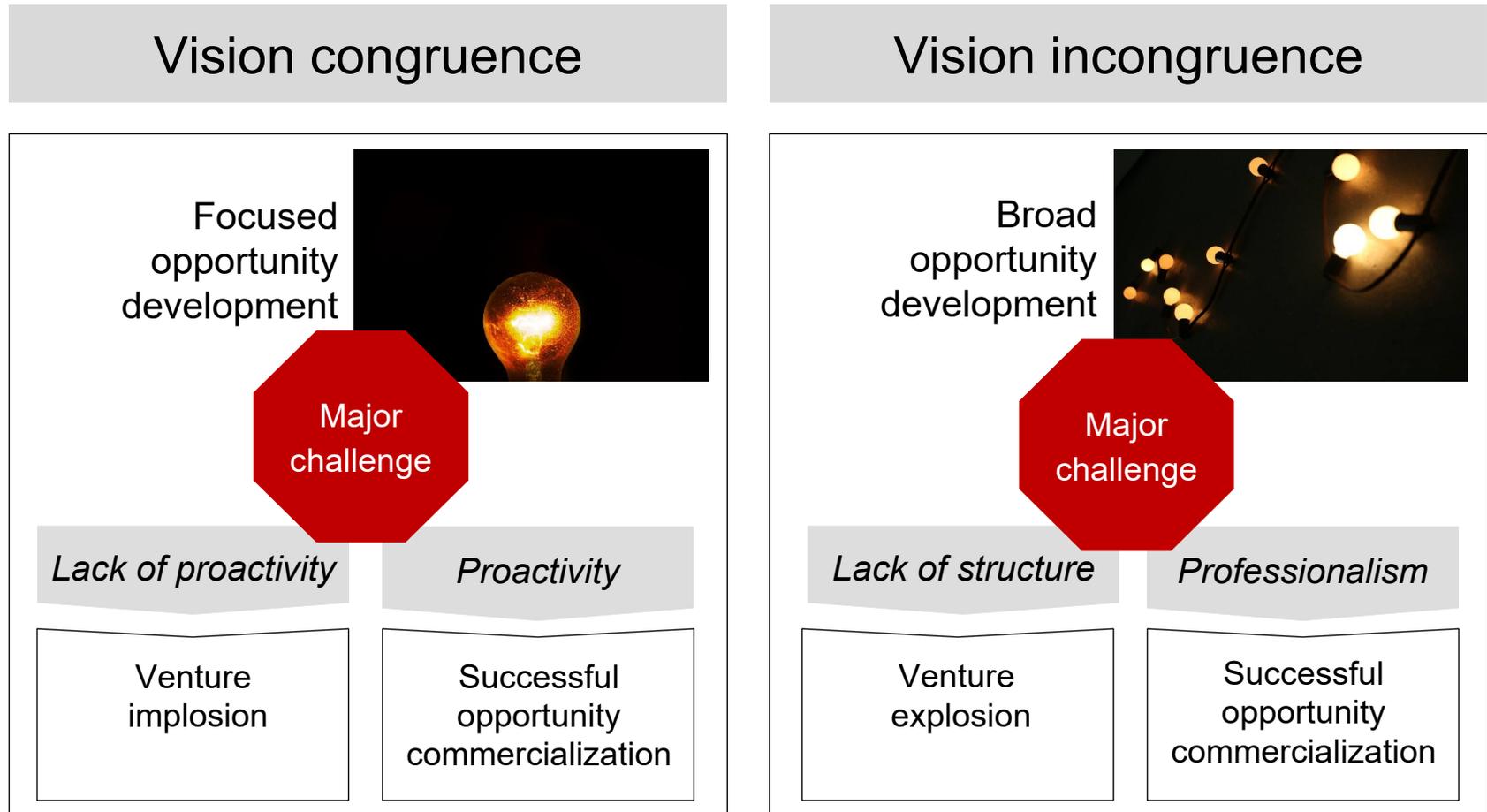
Step in the shoes of a student entrepreneur who invites a more experienced entrepreneur to their venture!

⇒ Part of our interactive workshop on November 11!



3 How to manage the team?

Communication of visions in the entrepreneurial team



3 How to manage difficulties?

Conflicts in entrepreneurial teams

Task conflict

Content:
Disagreements about the content of the team tasks, including differences in viewpoints, ideas, and opinions

Risk of spillovers!

Relationship conflict

Content:
Interpersonal incompatibilities, including tension, animosity, and annoyance among team members

(Amason, 1996; de Wit, et al., 2012; Jehn, 1995)

3 Another perspective on conflicts: Is this a conflict worth fighting for?

Principle	Guiding question	What does it mean for the entrepreneurial team?
Relevance	Does this issue truly matter for our future success?	The topic affects the venture's <i>trajectory</i> , not just personal preferences. It creates lasting value or prevents real risk.
Future focus	Are we fighting about what <i>could be</i> , not what <i>went wrong</i> ?	The discussion looks forward (strategy, vision, innovation) rather than blaming or revisiting past mistakes.
Noble purpose	Does this fight connect to something bigger than individual interests?	The debate serves customers, users, or the venture's mission, not ego, power, or ownership.

Based on Joni and Beyer (2009)

3 Is this a conflict worth fighting for? – Mini case

Starting point

Two co-founders, Kim and Taylor, built a SaaS platform that helps small creative agencies manage projects. After a year, they have steady traction with 200 agencies, but growth is slowing, and margins are thin.

Kim wants to pivot toward larger enterprise clients: “If we move upmarket, we can finally play in the big leagues. We can reach larger clients, make a bigger impact, and get investors interested.”

Taylor wants to keep the focus on creative agencies: “We are in this situation because you kept chasing shiny new ideas instead of doubling down on what our creative agencies actually needed”

Relevance

Does this conflict truly matter for the company’s future?

Yes.

No.

Future focus

Does the conflict focus on the future of the company?

Yes.

No.

Noble purpose

Does this serve something larger than ego?

Yes.

No.

References from the class

- Amason, A. C. (1996). Distinguishing the effect of functional and dysfunctional conflict on strategic decision making: Resolving a paradox for top management teams. *Academy of Management Journal*, 39, 123-148.
- Bormans, J., Privitera, M., Bogen, E., & Cooney, T. (2020). European startup monitor 2019/2020. Retrieved from <https://europeanstartupmonitor2019.eu/>
- Breugst, N., Patzelt, H., & Rathgeber, P. (2015). How should we divide the pie? Equity distribution and its impact on entrepreneurial teams. *Journal of Business Venturing*, 30(1), 66-94.
- de Wit, F. R. C., Greer, L. L., & Jehn, K. A. (2012). The paradox of intragroup conflict: A meta-analysis. *Journal of Applied Psychology*, 97(2), 360-390.
- Edmondson, A. C., & Smith, D. M. (2006). Too hot to handle? How to manage relationship conflict. *California Management Review*, 49(1), 6-31.
- Eisenhardt, K. M., Kahwajy, J. L., & Bourgeois, L. J., III. (1997). How management teams can have a good fight. *Harvard Business Review*, 75(4), 77-85.
- Hellmann, T., & Wasserman, N. (2017). The first deal: The division of founder equity in new ventures. *Management Science*, 63(8), 2647-2666.
- Hunsaker, P., Pavett, C., & Hunsaker, J. (2011). Increasing student-learning team effectiveness with team charters. *Journal of Education for Business*, 86(3), 127-139.
- Jehn, K. A. (1995). A multimethod examination of the benefits and detriments of intragroup conflict. *Administrative Science Quarterly*, 40, 256-282.
- Joni, S.-n. A., & Beyer, D. (2009). How to pick a good fight. *Harvard Business Review*, 87(12), 48-57.
- Klotz, A. C., Hmieleski, K. M., Bradley, B. H., & Busenitz, L. W. 2014. New venture teams a review of the literature and roadmap for future research. *Journal of Management*, 40(1): 226-255.
- Mathieu, J. E., & Rapp, T. L. (2009). Laying the foundation for successful team performance trajectories: The roles of team charters and performance strategies. *Journal of Applied Psychology*, 94(1), 90-103.
- Patzelt, H., Preller, R., & Breugst, N. (2021). Understanding the life cycles of entrepreneurial teams and their ventures: An agenda for future research. *Entrepreneurship Theory and Practice*, 45(5), 1119-1153.
- Preller, R., Patzelt, H., & Breugst, N. (2020). Entrepreneurial visions in founding teams: Conceptualization, emergence, and effects on opportunity development. *Journal of Business Venturing*, 35(2), 105914.
- Ruef, M., Bonikowski, B., & Aldrich, H. E. (2009). Business Owner Demography, Human Capital, and Social Networks. In R. T. Curtin & P. D. Reynolds (Eds.), *New Firm Creation in the United States: Initial Explorations with the PSED II Data Set* (pp. 95-114). New York, NY: Springer.
- Wasserman, N. (2012). *Founder's dilemmas: Anticipating and avoiding the pitfalls that can sink a startup*. Princeton: Princeton University Press.