Acknowledgments

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Innovation and New Ventures Office

Northwestern University
Innovation and New Ventures Office (INVO)
www.invo.northwestern.edu

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Northwestern Faculty's Guide to Starting a Company: Fundamentals of Startups

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Basics on Startups

Northwestern’s innovations are flowing at an accelerated rate. Our faculty and students are transforming their inventions into startups that infuse and drive economic development. This guide attempts to provide a roadmap for faculty and students who are thinking about starting a technology company, highlighting the common pitfalls to be expected along the way.

Starting a company is a life-changing event that brings together a breadth of experiences and extreme emotions: from the allure of anticipated wealth and societal impact to the frustrations of continuous set-backs and working with a tight budget. The best entrepreneurs are motivated by the challenges and thrive from the ups and downs. Instead of feeling defeated by a failed attempt, they are eager to get back in the game and start again.

Whether you are a new academic entrepreneur or a serial entrepreneur, the Innovation and New Ventures Office (INVO) will help you navigate the process.

Why start a company?

While there are many motivations to start a company, from the commercial point of view there is only one reason: to make profits by selling products or services.

In general, academic entrepreneurs are “technology-driven,” whereas investors are “market-driven.” With these differences, there exists a dichotomy between academic and corporate cultures, the former focused on cutting-edge technologies which drive the market versus the other focused on how technologies respond to existing market needs. This difference reflects the most essential disconnect between the academic and corporate cultures.

Perhaps the most important lesson to be learned from this guide is that entrepreneurs should ensure that their technology satisfies a need in the market. Investors would prefer to deal with researchers who espouse one of the five bold-faced motivations shown in Table 1. Such motivations indicate that the researcher is starting a company to satisfy a market need rather than to benefit their academic research.
TABLE 1: Why Academic Researchers Say They Want to Form New Companies

<table>
<thead>
<tr>
<th>Motivations</th>
<th>Reasoning</th>
<th>Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td>A friend’s suggestion</td>
<td>He or she heard about my research and suggested that I should look into starting a company.</td>
<td>Forming a company must be easy.</td>
</tr>
<tr>
<td>Following others</td>
<td>My research is every bit as good as that of a colleague who has been successful in starting and running a company.</td>
<td>If that person can do it, I should be able to do it too.</td>
</tr>
<tr>
<td>Additional grant funding</td>
<td>I sit on a panel that reviews federal SBIR [Small Business Innovation Research] grant applications, and my unfunded regular proposals are better than those that get funded under SBIR. A company might be an easy source of money to support my research, so why not form one?</td>
<td>We’ll be able to do a lot more research by tapping into this new source of grant money.</td>
</tr>
<tr>
<td>Easy money</td>
<td>Getting investors to pay for my research may be a better prospect than writing federal grants.</td>
<td>Investors are happy to fund good research.</td>
</tr>
<tr>
<td>The rest is easy</td>
<td>All the hard work has already been done in my laboratory, so now it’s time to turn the project over to a company for product development.</td>
<td>People will want to invest in my company because the remaining work is relatively trivial.</td>
</tr>
<tr>
<td>The captive company</td>
<td>A startup will be able to pursue the ideas from my lab through to commercialization. Alternatively: The company will augment my research by doing things that I don’t have the time or money for, such as running routine analyses and constructing prototypes.</td>
<td>I’ll have this outside company that does whatever I tell it to.</td>
</tr>
<tr>
<td>Becoming rich</td>
<td>A startup is a relatively quick way to become rich.</td>
<td>In five to ten years, I’ll be really wealthy.</td>
</tr>
<tr>
<td>I’m the boss</td>
<td>Starting a new company sounds better than getting a job at an existing one.</td>
<td>I can be chief executive of my own company and not have to work for others.</td>
</tr>
<tr>
<td>Persistence</td>
<td>No existing company has wanted to license my technology and I am committed to getting it to the marketplace, so it’s time to start my own company.</td>
<td>We’ll do what it takes to form a company to get this technology out there.</td>
</tr>
<tr>
<td>Market demand</td>
<td>I have been approached by people asking, “How can I get one of those things?”</td>
<td>There appears to be a market for my product.</td>
</tr>
<tr>
<td><strong>Niche opportunity, underserved market</strong></td>
<td>This would be an opportunity to have a small operation that sells products in a niche market.</td>
<td>There’s enough of a market there for me to have a nice supplement to my academic salary.</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Maximal impact</strong></td>
<td>Selling commercial products, as opposed to just publishing in a journal, increases the chance that my ideas will have a major effect.</td>
<td>We’ll be able to hit a much wider audience through the commercial sector.</td>
</tr>
<tr>
<td><strong>Seasoned veteran</strong></td>
<td>I didn’t get it right with my first two companies, but this time I have a better handle on the market realities.</td>
<td>Given our experience, we should be able to raise adequate investment funds and use them to better advantage.</td>
</tr>
</tbody>
</table>

*Are all startups the same?*

There are many types of startups. Some of them are service companies that require very little incubation, while others, usually product companies, require years before profits.

Many Northwestern faculty have created successful consulting firms surrounding a number of areas, including engineering, marketing, and strategy. Because revenue is generated from the sale of “time,” the business can get meaningful traction within the span of a few months.

Technology companies, however, typically require many years of R&D before revenue can be generated. During their product development period, startups need a continuous infusion of capital. Any prolonged interruption can deal a death blow to the enterprise.

Technology startups generally belong to two fundamental categories:

(i) Equity-investment companies, which require large sums of capital, usually in the form of equity investment and;
(ii) Modest-investment companies, whose capital requirements are substantially lower.

In reality, a business can fall under both categories—for example, a modest-investment company may provide equity shares to investors—but this one-or-the-other model allows us to make some basic generalizations that are useful for the would-be entrepreneur.
For-profit or non-profit?

Northwestern’s researchers have developed both for-profit and non-profit companies. The decision of whether to build one over the other is usually driven by the mission of the firm.

The missions of non-profits usually center on "societal good" of the community, nation, or the world. Non-profits do not pay taxes, but they also cannot use their funds for anything other than the mission for which it was formed. It is important to remember that non-profit organizations may make a profit, but it must be used solely for the operation of the organization or, in the case of a foundation, granted to other nonprofit organizations. When a nonprofit goes out of business, its remaining assets must be given to another nonprofit. The Northwestern Global Health Foundation (www.nwghf.org) is an example of a Northwestern nonprofit spinout.

The most common spinouts at Northwestern are for-profit technology based spinouts. The mission of for profit startups is to bring profits to the shareholders. Profit is the goal and the business pays taxes on that profit. When a for-profit organization goes out of business, its assets can be liquidated and the proceeds distributed to the owners or the shareholders.

Establishing a non-profit was a way to deliver devices to the greatest number of people in the developing world at the lowest possible cost.

David Kelso, PhD
Clinical Professor of Biomedical Engineering
Northwestern University

Virtual or bricks and mortar?

Virtual companies perform their business transactions through the internet. They typically do not have headquarters or an office space and run with a very small staff. Most aspects of their business, including research and development, marketing, and sales, are typically outsourced. The primary role of the virtual company is to monitor and manage the outsourced activities. By obviating the need for creating its own infrastructure (“bricks and mortar”), the virtual company keeps its costs to a bare minimum.
In general, a virtual company is formed if the company is in its early stages. There are numerous examples of startups that never graduated from the virtual mode and ultimately withered and died. Success in the virtual mode requires a well thought-out business plan with achievable technical milestones within a realistic timeline. When the milestones are achieved, the entrepreneurs should be able, in theory, to sell their startup idea to investors. However, technical milestones can be difficult to achieve in a timely fashion within the academic environment. This is one of the reasons why virtual companies often fail.

**Incorporating the company**

From the moment of its inception, a new company takes on its own identity, but for legal purposes a business is not “real” until it is formally incorporated in a particular state. There are numerous how-to manuals on incorporation, and it is possible to incorporate on your own for a relatively small filing fee. While this option saves money in the near term, it is important that you get qualified advice from an attorney. The money will be well worth it and will likely save frustrations in the long run. The latter is something to be avoided, as one of the primary motivations for incorporating is to protect the principals from being held personally liable for the company’s debts. A good attorney will ensure that accurate filings are fulfilled.

Please contact the Innovation and New Ventures Office for referrals of attorneys with experience in the area. Alternatively, entrepreneurs are encouraged to consult with the Entrepreneurial Law Center at Northwestern Law School [http://www.law.northwestern.edu/legalclinic/sboc/about/index.html](http://www.law.northwestern.edu/legalclinic/sboc/about/index.html) for advice on this topic.

**Choosing the startup legal entity**

Choosing a startup legal entity can be confusing. Generally, there are four considerations as outlined on Table 2. Usually, sole proprietorship is not appropriate for technology companies due to liability concerns and the limitations with raising capital. The C Corporation is the first choice for most venture capitalists. When the to-be-venture-funded startup is a C Corporation, various administrative and other burdens are minimized for the venture firm, allowing them to transfer capital more easily and focus on developing the startup.
Table 2: Common Legal Entities for Corporations

<table>
<thead>
<tr>
<th></th>
<th>Sole Proprietorship</th>
<th>C-Corp</th>
<th>S-Corp</th>
<th>Limited Liability (LLC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Requirements</strong></td>
<td>None</td>
<td>Must File with State, small fee required</td>
<td>Must File with State, small fee required</td>
<td>Must File with State, small fee required</td>
</tr>
<tr>
<td><strong>Personal Liability</strong></td>
<td>Unlimited liability</td>
<td>Shareholders are not held liable</td>
<td>Shareholders are not held liable</td>
<td>Members are not held liable</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Relatively few requirements</td>
<td>Election of board of directors/officers, annual meetings, and annual report filing requirements</td>
<td>Election of board of directors/officers, annual meetings, and annual report filing requirements.</td>
<td>Few Requirements.</td>
</tr>
<tr>
<td><strong>Management</strong></td>
<td>Full control</td>
<td>Shareholders elect directors who manage business activities</td>
<td>Shareholders elect directors who manage business activities</td>
<td>Members can set up structure as they choose</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>Terminated when proprietor ceases doing business or upon death</td>
<td>Perpetual: can extend past death or withdrawal of shareholders</td>
<td>Perpetual: can extend past death or withdrawal of shareholders</td>
<td>Perpetual, unless state requires fixed amount of time</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>Entity not taxable. Sole proprietor pays taxes.</td>
<td>Taxed at corporate rate</td>
<td>No tax at the entity level. Income passed through to the shareholders.</td>
<td>No tax at the entity level. Income passed through to members</td>
</tr>
<tr>
<td><strong>Transferability of Assets</strong></td>
<td>No</td>
<td>Shares of stock are easily transferred.</td>
<td>Yes, observing IRS regulations</td>
<td>Depends on restrictions outlined in operating agreement</td>
</tr>
<tr>
<td><strong>Fundraising</strong></td>
<td>Individual provides capital.</td>
<td>Shares of stock are sold to raise capital (Securities laws apply)</td>
<td>Shares of stock are sold to raise capital. Limitations prevent S corp stock ownership by corporations</td>
<td>Subject to operating agreement (Securities laws apply)</td>
</tr>
</tbody>
</table>
Many first time entrepreneurs underestimate the importance of considering legal issues and getting good legal advice early in the process. Setting up a new venture with a solid legal foundation structured to meet the founders’ own goals and expectations saves time, money and potential headaches down the road.

Esther Barron, JD
Director
Entrepreneurial Law Center
Northwestern University

Requirements for a startup

A good idea does not necessarily result in a good product. A good product does not necessarily result in a company.

To succeed, a company needs more than a good idea. Its success is largely due to how the idea is executed and whether it addresses a real market need. A talented staff and management team will ensure that the right decisions are made along the way. Capital is also essential to make everything come together and push the venture ahead. In order for a business to succeed in the long term, it should be able to scale up. One way to scale is to design not one but a pipeline of products. Below, some of the essential criteria that lead to a successful business are listed.

INNOVATIVE PRODUCTS, INNOVATIVE SERVICES. Startups should be based on innovative services or products that bring unique value to the customer. Academic discoveries, however, are usually embryonic concepts and not full-blown products, making it is often difficult to determine the real value in the marketplace. Until that value is determined, it is often necessary to protect the invention. Intellectual property becomes essential for commercialization as a way to guarantee the monopoly needed to justify the cost of development.

INTELLECTUAL PROPERTY. There is no need to have rights to intellectual property (IP) to start up a company. However, if the executive team is seeking significant external financing, it should be aware that the majority of investors usually require that the anticipated technology
backed by IP. IP serves as a barrier to entry against competing companies that might want to replicate the product. The management team will have to decide whether the market for their product requires this kind of protection.

Patents also allow for easier transactions as the startups enter partnerships, collaborations and multiple funding circles. Of course, it is the nature of the patent rights controlled by the company that is significant, not just the fact that the company has patents. Nevertheless, a business plan with a section listing the company’s IP assets is likely to be more compelling to an investor than one that does not.

Some academic companies are founded on intellectual material that lies within the public domain and for which no IP protection is available. Ordinarily, with no protectable IP, there should be no need to secure a license from the academic employer. Companies without IP assets ordinarily do not attract large amounts of outside investment capital.

Modest-investment companies do not need IP in order to get off the ground. Most often, the importance of IP to becomes apparent later on, when the company sells the product or service and knock-off competitors arise. To prevent such a situation, young companies should review their inventions for aspects that could impart a significant protection down the road.

**PRODUCT PIPELINE.** Discoveries that could lead to multiple products or product lines, or “platform technologies,” are what many investors look for when funding a startup. Often, investors ask, “Is it a product or a company?” - implying that single-product ideas (also referred as “one-pony shows”) are not suitable for the formation of an equity-investment company. One can certainly start a new business around a single product, but it is unlikely that the company will be attractive to institutional investors unless the product represents a very large market opportunity. For these cases, the inventor might want to consider licensing the product for further development to one or more established companies, rather than creating a startup.

**MARKET NEED.** Deciding on the company’s first product is often very difficult—especially for platform technologies, which may have many different applications. An important criterion is that it serves real-world needs. Individuals starting companies must provide compelling answers to questions such as: What market does this product serve? What products are already in this market? How is this product different from them? Who are the competitors, and how are their products better or weaker than yours?
SPECIALIZED PERSONNEL. Perhaps the most common reason for a startup to fail is lack of adequate management. Early stage technologies will invariably encounter many hurdles before they reach commercialization. Being able to manage the hurdles, raise capital while building a motivated team requires experience, a sophisticated network and unique business talents.

SPECIALIZED FACILITIES. Academic startups often have limited access to space and facilities. Northwestern researchers often find space outside the Evanston campus in such places as the Illinois Science and Technology Park in Skokie. Please consult with the Innovation and New Ventures Office if you need space in the Chicago area.

CAPITAL. A startup’s demand for cash depends on the costs to take the product to market. The faculty member creating a modest-investment company in his or her garage, funded by personal savings, does not need to seek investment capital from business “angels” (wealthy private investors) and venture capitalists. In contrast, the researcher who plans to start a new pharmaceutical company will spend countless hours trying to secure large amounts of investment capital. Once the company is started and the initial capital is secured, founders will immediately start planning when and how to secure the next “round” of financing. Such firms are voracious in their appetite for cash, as raising money is a never-ending process, and they are at the mercy of the investment community.

The decision on whether to form a modest-investment company or an equity-investment company is largely dependent on the timeline to launch and the nature of the product, which remains to be completed in its development and manufacturing. While the desire to preserve ownership and control of the venture through a modest-investment company is understandable, many commercial opportunities require extensive partnering, both in investment and strategy, if they are to be successful.

A continual flow of innovative ideas is absolutely essential for staying ahead of the pack.

Chad Mirkin, PhD
George B. Rathmann Professor of Chemistry
Northwestern University
I see hundreds of business plans and ideas each year. In order to have a chance at getting funded you must have a very clear and large market need.

Mark S. Colella, MD
Principal
5AM Ventures

Tips for Northwestern Entrepreneurs

An important step in starting a company is to clarify the role that the academic entrepreneur will be able to play and the steps to move the inventions to the company. These issues can vary widely depending on the nature of your startup and your own background, desires and interests. However, there are a few things to keep in mind as you consider starting this new venture.

Working with Northwestern

Unlike corporations where employees are unable to start a company with information gained while employed, academia is markedly different. University employees who want to found new companies based on their research are not perceived by their employers as potential competitors. Thus, university employees are typically not required to leave their academic employment in order to found a company.

Northwestern, like all academic institutions, has a variety of rules that may be applicable to a researcher’s plans to start a company, including policies on intellectual property, conflict of interest, conflict of commitment, sponsored research, and outside consulting. All Northwestern policies are listed at [http://policies.northwestern.edu/](http://policies.northwestern.edu/). Gaining approval to start a new company is based on the full disclosure of proposed activities as they may pertain to these policies. Once the startup activity is approved, the Innovation and New Ventures Office (INVO) has a number of resources relevant in forming the company.
The first three steps for the academic employees contemplating the formation of a new company based on their research are to: (1) disclose the invention; (2) disclose for potential conflicts of interest/effort; and (3) familiarize themselves with Northwestern’s licensing agreements.

**INVENTION DISCLOSURE.** If the basis for starting the company is a discovery made in the laboratory, an invention disclosure needs to be submitted to INVO. If this is your first interaction with INVO, it may be helpful to consult with an INVO invention manager who handles similar technologies in advance of submitting the disclosure. Please call our office so that an invention manager can be assigned to you INVO will determine whether there is protectable intellectual property (IP) associated with the discovery. Invention disclosure forms can be downloaded at: [http://www.invo.northwestern.edu/forms](http://www.invo.northwestern.edu/forms)

Northwestern will decide whether to pursue intellectual property protection or not. If Northwestern decides not to pursue IP protection, the invention will be released to the inventor, and the inventor will be free to pursue it on his /her own. The inventor will also be responsible for the legal costs associated with the IP and startup. If Northwestern decides to protect the invention, it will file a patent application and cover the legal costs associated with the application. Once the patent is issued, the startup will need to license the technology from Northwestern to gain the rights to develop and commercialize it. This process is broadly described as “technology transfer.”

**CONFLICTS DISCLOSURE.** The second disclosure relates to the inventor’s compliance with institutional conflict-of-interest and conflict-of-commitment policies. Such conflicts are a hot topic in the national media, professional organizations, and journals, as well as in hallway gossip. Being accused of having a conflict can severely damage one’s reputation and future prospects. The federal agencies and academic entities have become quite attentive in enforcing their conflicts policies. Northwestern’s policies in this area can be accessed at [www.invo.northwestern.edu/policies](http://www.invo.northwestern.edu/policies).

A conflict-of-commitment occurs when outside activities interfere with an individual’s responsibilities under his or her academic position. Typically, institutional consulting policies allow academic personnel to spend a set amount of time per week or month doing outside professional work, which may include helping to launch a new company.

A conflict-of-interest exists when an individual’s personal interests (e.g., equity holdings in a startup company) are perceived to influence that person’s judgment when exercising his or her academic employment duties. Institutions require that the individual discloses and
manages such potential conflicts. Because conflict-of-interest management can be a complicated business, especially if a researcher contemplates a startup company while remaining an academic employee, it is essential that the constraints on permissible activities are well-understood. Conflict-of-interest management plans are above all concerned with protecting vulnerable parties, such as graduate students and human subjects participating in the research, who are under the charge of the academic entrepreneur.

Inventors should consult with their department chair and dean, as soon as they are ready to get serious about forming a new company, to lay out plans and receive feedback. **What is most important is that it is not about whether you think there is a conflict or not, but whether someone else might perceive one. When in doubt, disclose. It can save you a lot of heartache later on.**

**When is it time to start a company?**

Researchers get so excited about the idea of forming a company that they often lose sight of the hard road ahead. It is easy to overlook the fundamentals of building a successful business, such as favorable timing. While there is no formula for determining the proper time to start a new company, raising enough capital to cover two to three years of operations may be a good rule of thumb. The “right” time has less to do with the stage of research than with the capital markets. Academic research discoveries are generally quite far from being products and have increased chances of dying during development. Therefore, the pathway from discovery to product entails risk, which presents a significant hurdle when it comes to raising funds. The more embryonic the discovery, the higher the risk.

In the 90’s, it was easier to start up a company, even with very early stage research. Currently, investors prefer investing in companies that are much farther along in product development—for example, those with drugs in mid-stage human clinical trials, or those with successful beta tests of their software.

Investors can be stratified according to their comfort levels with the associated risks at each of the stages of the product development sequence. Those at the early (high-risk) end are often called “seed” investors, and those at the later (lower-risk) stages are called “mezzanine” investors. It is important that the researcher better understand the risks associated with getting their project to the marketplace because it will enable him/her to assess the current investment climate through existing networking contacts. Even with a positive investment market, much effort should be devoted to fundraising.
An idea about geckos is just an interesting project unless it fulfills a pressing need in the market place, can be manufactured on a relevant scale, and priced competitively.

**Phillip Messersmith, PhD**  
Professor of Biomedical Engineering and Materials Science and Engineering  
Northwestern University

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**Steps towards a startup**

With so many steps involved in the formation of a new company, academic entrepreneurs often inquire about the proper sequence. There is not a set sequence in which these tasks should be accomplished, as every new company has its own unique circumstances and needs. Nevertheless, as a guide, a generalized chronology is shown below for starting an academic spin-off company. The list emphasizes compliance with an academic employer’s policies and practices regarding the inventor’s participation in a startup. It attempts to minimize early capital expenditures. Please note, however, that in reality many of these events do not unfold one at a time but typically occur in parallel or may occur out of the sequence below.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talk to INVO</td>
<td>Talk with your invention manager to determine what type of Intellectual Property protection you will need and for suggestions regarding next steps. Make sure to understand the Intellectual Property and conflict-of-interest policies.</td>
</tr>
<tr>
<td>Protect Intellectual Property</td>
<td>For most startups, the intellectual property is the only capital. It is the only tool for attracting investment (usually one or more patents and/or substantial software code). A patent application should be filed any public disclosure is made.</td>
</tr>
<tr>
<td>Network/Find a Mentor</td>
<td>Contact INVO for suggestions on how to network or recommendations for potential participation in University programs. These may include: Chicago Innovation Mentors Program, Commercialization Clinics, INVO seminars, etc. In addition, the Farley Center for Entrepreneurship at the</td>
</tr>
<tr>
<td>Plan the Business</td>
<td>A business plan should be drafted to be able to communicate the market opportunity and vision of the company. The plan should include a market plan and a financial plan.</td>
</tr>
<tr>
<td>----------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Disclose to INVO</td>
<td>At this point you should communicate with your individual School on how you will be managing any potential conflict-of-interest/conflict of effort that might result from the startup.</td>
</tr>
<tr>
<td>Assign a Business Person</td>
<td>A business manager (or CEO) should be selected to initiate negotiations with the University and fundraising.</td>
</tr>
<tr>
<td>Incorporate</td>
<td>The company needs to become a legal entity in a particular state.</td>
</tr>
<tr>
<td>Negotiate the License or Option Agreement With INVO</td>
<td>The businessperson leading the startup will negotiate a license for the startup with INVO. In some cases, a short-term option agreement may precede a license to demonstrate to potential funders that it has secured the rights to negotiate for a license to the technology.</td>
</tr>
<tr>
<td>Fundraise</td>
<td>Commercializing technology is typically a capital-intensive process. Fundraising becomes a non-stop activity until the company exit (either sold or IPO).</td>
</tr>
</tbody>
</table>

**Building the startup**

There are many issues that commonly arise when spinning-out a startup from academia. It is wise to start thinking about them early on in the process. These issues range from strategic planning to fundraising to anticipating sources of frustration.

There are two related questions that investors will often ask: *Are you building a one-product company or a platform company and what is your exit strategy?*

Investors in equity-investment companies like to see markets penetration in a variety of ways. That’s why they prefer “platform technologies,” which are amenable to the development of
multiple products. When reviewing a discovery proposed to be the nucleus of a startup, one of the first questions an investor might ask is: “Is this a product or a company?” Implied in this query is a second question: “What happens if the first product fails?” Without a clear answer to this question, it’s unlikely that the company will attract institutional investors.

The product-or-company question also applies to the modest-investment company, though on a more modest scale. If you contemplate building a “garage-based” company to sell a product into a niche market, you should ask yourself, “If the sales of my lead product slowly ramp up to, say, $75,000 per year and then flatten out, am I going to be satisfied with all the time and money I spent to get to that position?” If the answer is no, you must consider how the company may bring in additional revenues to justify your investment.

It is also important to think about exit strategies. If you are planning to bring the company all the way to an IPO, you will need to develop a development plan that will take you all the way to the marketing and sales of the technology. You will need to anticipate potential partners that will help you reach that point, financing strategy, etc.

If your plan is to sell the company after a milestone is reached (say after Phase II in development), you might want to start checking potential acquirers’ appetite for your technology at an early stage.

**Defining the market**

In order to write your business plan and effectively network with others, you will need to have an “elevator pitch” of your company. This means that you should be able to explain within one minute the *raison d’etre* for your company. The description should be compelling enough for an investor to want to continue the conversation about the opportunity.

The first step in designing your elevator pitch is to have a well-defined market. Be careful, however, not to exaggerate the size of the market or gloss over the critical details. Investors tend to laugh at academic entrepreneurs that tend to talk about a startup with a blockbuster market size of multiple billion dollars.

Products should address unmet needs, as to create a compelling argument for a potential new product. The elevator pitch must describe the unmet need, the customers and why they will be interested in purchasing the product.
In acquiring such an understanding, realistic answers to the following questions should be developed:

- What is the unmet need?
- How many people, companies, or other entities currently have this problem? In the United States? Worldwide?
- Is the incidence of the problem growing or declining? At what rate?
- How is this problem currently solved or avoided?
- Who sells products that address this problem? What are their annual sales? What is their estimated share of the market?
- What products for solving this problem are in other companies’ development pipelines?
- What are the strengths and weaknesses of existing products in this market?
- How do people make buying decisions in this market?
- Why would a buyer choose your product over the others?

Obtaining this information, however, is not easy. You should plan to devote time to do research from both primary and secondary sources. You will need to spend significant time talking with industry leaders, searching databases, etc. Fortunately, Northwestern has the advantage of having the Kellogg School of Management, one of the best schools in marketing. Kellogg has hundreds of students with the expertise to do high quality marketing research analyses. Many of these students are willing to volunteer their services in exchange for the opportunity to be part of a startup.

One of the lessons that I've learned is that having an innovative technology is not enough to create a successful business. It is critical that you as an entrepreneur understand and address the needs that exist in the marketplace.

Ed Colgate, PhD
Professor, Mechanical Engineering
Northwestern University
Having an elevator pitch forces you to develop a clear and concise statement of your company’s mission and value proposition. Being able to convey this in two minutes demonstrates that you have true clarity on your business.

Philippe Inagaki
CEO, Polyera

**Identifying the right CEO**

Finding the right CEO might be the most important decision that the academic founders will make for the startup. Founders are often tempted to play that role. The truth is that it almost never works. The skill set that makes you a good researcher or inventor rarely translates to running a business effectively. Fundraising, writing business plans, negotiating leases for facilities, and setting up and managing human-resources, purchasing, accounting, regulatory-affairs, manufacturing, and sales and marketing functions are generally not within the realm of the researcher’s experience or interest. Experience in building startups is critical to be able to raise capital.

There is a tendency in academia to underestimate the value that the business partner brings to the table. Avoid hiring the first potential CEO you consider. It is important to check references and check how credible they are with investors and competitors. Initial conditions in a startup determine the future path of the company. Few startups ever survive a second-rate business partner. Also, when it comes to granting the CEO equity in the company, you may want to make it strictly performance-based.

The most important thing you can do for you technology is to find the right management.

Kristian Hammond, PhD
Professor, Electrical Engineering and Computer Science
Northwestern University
Fundraising

The type of investors that you will seek for the company will depend on the type of company that is being built, the stage of development and the capital needs. The most common are:

Sweat Equity, Friends and Family

Usually, the founders each put some of their personal funds into the enterprise during its early days to help with expenses such as travel and incorporation. More committed entrepreneurs, especially those without co-founders, may put a considerable amount of their own money into the company, frequently using credit-card and home-equity debt as an adjunct.

Often, entrepreneurs will tap their friends and families as mini-angels to provide initial funding. Asking for money from family and friends can be a difficult. It is wise to be clear and upfront about your goals and intentions. Some sort of a written agreement or contract will be useful.

Non-Profit Grants

Non-profit foundations are often good places to seek funding if the mission and goals of your company aligns with the missions and goals of a non-profit foundation. Occurring more frequently in healthcare and social issues, foundations such as the Cystic Fibrosis Foundation has funded cystic fibrosis research in both industry and academia. According to the Boston Globe, US foundations dedicated to fighting diseases invested about $75 million in research and discovery of drugs in 2007, 10 times more than the $7 million that was invested in 2000.

SBIRs & STTRs

Small Business Innovation Research (SBIR) and Small Business Technology Transfer Research (STTR) are federal grant programs that fund research in companies with fewer than 500 employees. These programs recognize that much of the United States’ innovation occurs within the small-business sector, and they seek to stimulate further innovation in select areas of research. Over two billion dollars in grants are provided each year by agencies of the federal government under published solicitations. Awards have three phases: Phase I (up to $150,000), in which new concepts are explored; Phase II (up to $1 million), in which successful Phase I projects are developed into products; and Phase IIb (up to $3 million) in which the Phase II projects are moved close to commercialization.
SBIR/STTR awards are made to the small business, but a portion of the funds may be subcontracted to a university laboratory, which can be a great source for managing proof-of-concept projects without having to pay for expensive infrastructure such as instrumentation in a private sector laboratory (up to 33 percent for SBIR and 60 percent for STTR during Phase I). SBIR/STTR awards are attractive to academic startups for two reasons: they play to the grant-writing strengths of academic researchers; and they are outright grants, not equity investments (e.g., you don’t have to give a piece of the company away to get the money). The major downside to the awards is that there can be a significant lag between Phase I and Phase II awards, and it may be difficult to keep research teams together (i.e. meet payroll) while the Phase II application is pending.

Many academics have been tempted to use the SBIR/STTR programs to extend their academic research instead of using the funds to build a company and develop products. Expert panels are utilized to review the grant applications both for technical and commercial merit. Applications that are academically focused are generally academically focused are generally not accepted. But used in their intended manner, SBIR/STTR awards are excellent ways to fund early research in a new company, and the Phase II awards are robust. Still, a company trying to build its entire line of products from SBIR/STTR grants without other investment is not likely to secure sufficient resources.

For a tutorial on SBIR grant writing, please check [http://www.dodsbir.net/tutorial/tour.htm](http://www.dodsbir.net/tutorial/tour.htm).

**Angel Investors**

Angel investors are individuals who invest their own personal money. An angel investor is usually someone who has led the launch and development of successful companies, followed by a successful exit. Angel investors often form groups so potential investments can be better evaluated. Each angel typically invests between $25K- $100K. If a group pools their money, the total amount of investment can reach over $1 million dollars. Angel investors usually come in at an earlier stage than venture capital financing.

Active Chicago area angel groups include:

- Wildcat Angels [www.wildcatangels.com](http://www.wildcatangels.com)
- Hyde Park Angels [www.hydeparkangels.com](http://www.hydeparkangels.com)
- Heartland Angels [www.heartlandangels.com](http://www.heartlandangels.com)
- Cornerstone Angels [www.cornerstoneangels.com](http://www.cornerstoneangels.com)
Equity investors receive stock in the company, with the amount dependent on the value ("valuation") of the company in proportion to how much they have invested. The cash value placed on a new company ("pre-money valuation") is arbitrary and subject to negotiation, with entrepreneurs usually thinking high and investors low. It is inevitable that after multiple rounds of equity investment, the investors will own a majority of the shares of the company. Academics often view this outcome as "losing control" of the company (often called "founder’s syndrome"), but without external investment, the company would not be able to move forward.

**Industry Partnerships**

A startup may also develop a strategic partnership with a larger company under which this partner helps the young company with product development, generally in the form of cash or collaborative assistance. Partnerships are an excellent source of non-diluted capital and also usually have an impact on the company’s valuation because they are used to validate the technologies. Partnerships are dependent on product stage of development and milestones. Care must be taken that these relationships do not alter the core company focus and are not structured in a way that will hamper future fundraising or sale of the company.

**Venture Capital Firms**

Venture capitalists (VCs) are professional investors and money managers who manage and invest a pool of money from high net worth individuals and institutional investors who are looking for higher returns on their investments than the average stock market returns. There are thousands of venture firms out there, and each firm usually specializes in a particular industry. There are more VCs focused on high tech than life sciences, simply because an exit in a life science is usually much longer.

VCs provide significant values to a startup company that is much more than just money. Many VCs were former executives who launched and managed successful companies and they can provide valuable advice and guidance. In addition, when a VC signs up to invest, you are getting their entire network of friends. VCs have enormous networks of friends that can help startups solve problems.
VCs make money by charging a management fee of the managed funds they raised from wealthy individuals and institutional investors. It is in a VC firm’s best interest to make money for their investors because their reputation is on the line. Their reputation is based on their investment track records. If managers have below average success rates; investors are likely to choose different money managers.

Equally important as selecting the right CEO, is the selection of the right investors. Investors play a critical role in shaping the company, providing network, management, etc. The quality of your seed investors will play a key role in attracting future investments. Sometimes, the entrepreneur is in such desperate need for funding that he/she accepts investments from inexperienced investors. These investors often have unrealistic expectations, little industry-specific network and little credibility with follow-on investors. Few startups can survive an inexperienced seed investor.

Fundraising is an all-consuming process. It requires constant effort, dedication, focus and a relentless pursuit.

Guillermo Ameer, PhD
Professor, Biomedical Engineering
Northwestern University

SBIRs and STTRs have been of tremendous value to the startup we created a number of years ago. First, and foremost this type of funding is non-dilutive. In addition, it is milestone-based which serves as a continual reminder of the discipline necessary to successfully commercialize the technology. I recommend that all faculty-initiated startups give consideration to this type of funding.

Gregory Olson, ScD
Walter P. Murphy Professor of Materials Science and Engineering
Northwestern University
Partnering with a large player in the industry can increase your startup’s credibility among potential investors. A larger company can also offer facilities and other resources required to move a product from the laboratory to the industry.

Vadim Backman, PhD
Professor of Biomedical Engineering
Northwestern University

The role(s) of the founders in the startup company

Most first-time academic entrepreneurs are uncertain about what role they should play in the formation and operation of a new company, though certain relationships are fairly predictable. Faculty typically prefer to retain their academic position while working with the new company, while staff, postdocs, and graduate students ordinarily leave academia to become company employees. A faculty member’s role in the startup is likely to be proscribed by a number of university policies, including those on conflict-of-interest, conflict-of-commitment, sponsored research, and outside consulting. The typical range of roles that faculty play in conjunction with startups includes:

- Founder/equity holder
- Consultant
- Member of the scientific advisory board
- Member of the board of directors
- Recipient of sponsored research funding
- Employee of the startup, **only** while on leave from the university

Northwestern, like most academic institutions, has policies regarding how faculty may participate in new companies. The faculty member should consult the conflict of interest policy [http://www.research.northwestern.edu/policies/faculty-conflict-of-interest.html](http://www.research.northwestern.edu/policies/faculty-conflict-of-interest.html) and discuss with his/her school/department before starting a company.

The academic researchers provide the technical vision to guide the company’s initial research and development. They are integrally involved in multiple aspects of building a business which includes: developing and writing the business plan; recruiting an individual to lead the
business side of the company; making presentations to potential investors; hiring initial scientific staff; and launching the company in its own facilities. These activities require a large time commitment. A chief executive officer (CEO) may handle the majority of the early work of building the company, but inevitably the researchers will be pulled into the process. It is important to note that one of the measures used by potential partners and investors in assessing their interest in working with a new venture is the amount of time that the academic founders devote to the endeavor.

Once the startup is launched, the involvement of the founder is often inversely related to the number of employees at the company: as the size of its staff increases, the day-to-day participation of the founder decreases. In established companies, the founder usually remains on the company’s scientific advisory board and offers strategic consulting advice.

**Selecting the co-founders of a startup**

Faculty members are often tempted to include their research collaborators and graduate students as partners of the startup, though this decision can usually bring headaches at a later time. Because partners usually share in the future value of the company—whether in the form of profits, stock holdings, or other arrangements—decisions as to who will be a founder should be made according to the expected contribution of each individual to the enterprise. It is much easier to look back at a scientific study and determine who made the contributions necessary for inclusion as a report’s coauthor than it is to look into the future to determine who should share, and in what proportion, in the value created by the company.

Picking your business partners is a bit like picking a spouse. You want to form relationships with people who you know and trust and who share your values and aspirations. You want people that had experience as entrepreneurs and are respected by the investor community. Of course, they also need to be honest, communicate in a straightforward manner, and follow through on what they say. INVO can help identifying potential managers for the startups.

The founders of a business nearly always retain equity rights. There are two forms of equity: stock and options. The purchase of stock by founders should happen early prior to an external company valuation. Once a value is placed — through a term sheet, for example — there are tax implications. Founders’ stock can be restricted with regard to transfer and reverse vesting. For example, if a founder ends his business relationship with the company, the company has the right to repurchase his/her stock at the founder’s original purchase price.
The other form of equity, options, are the right to purchase shares of a company’s stock in the future at a very low price. These are typically granted to new employees and consultants and vest over time. Sometimes, however, shares from the option pool are given to founders as a way to reward notable contributions by junior team members.

Vesting is a process by which stock or options become available to the employee over time according to a predetermined schedule. Vesting is meant to ensure long-term commitment to the company. The length of a vesting schedule is typically three to five years. Vesting schedules tend to be faster on the West Coast than on the East Coast. There are different types of vesting. For instance, cliff vesting is when a person’s business relationship with a company has to continue for a set period of time (e.g. one year) before that person has a right to purchase stock in the company. Vesting can occur on a monthly, quarterly, or yearly basis. When a company is sold, vesting usually accelerates, and the rights of founders and employees – whose options also accelerate – need to be balanced.

Identifying founders and setting up stock plans is something with which an experienced attorney, who is knowledgeable about startup companies and stock-ownership norms in your industry, can help you during incorporation. Please contact INVO at invo@northwestern.edu for referrals to attorneys who specialize in startups.

**Networking and finding the right mentors**

There is much to learn about organizing, funding, and launching a new company from the experience of others. The best way to access the know-how and wisdom of others is through “networking.” Ideally, a researcher should aim to find a mentor (or a group of mentors) that will be able to offer qualified advice and help open the doors. INVO offers a formal mentorship program called “Chicago Innovation Mentors (CIM)” program to match entrepreneurs with mentors ([www.chicagoinnovationmentors.org](http://www.chicagoinnovationmentors.org)).

There are many other opportunities for networking in the Chicago area. A list of some networking resources is listed at [www.invo.northwestern.edu/resources](http://www.invo.northwestern.edu/resources). These include: specific venues for entrepreneurs to get together to present their concepts for new companies; regular meetings of local industry groups; small companies making presentations at professional conferences; and regular meetings of “angel networks” at which leaders of new companies often present their business plans.

The concept and practice of networking is essential for entrepreneurs. It is through networking that CEO and CSO (Chief Science Officer) candidates, consultants, corporate
attorneys, insurance carriers, and potential investors may be identified. Tips on writing a business plan or applying for SBIR and STTR funding may also be gleaned from these interactions. Further, networking with fellow entrepreneurs, provided that they are not direct competitors, is an additional resource, as they share their own experiences.

A variety of seminars are regularly offered to help entrepreneurs develop skills and confidence in networking – visit INVO’s web site – www.invo.northwestern.edu for a list of upcoming on-campus and local seminars.

Mentorship from Chicago Innovation Mentors (http://www.chicagoinnovationmentors.org/) has been instrumental in shaping the focus and direction of our commercialization plans.

Reed Omary, MD
Professor, Radiology
Feinberg School of Medicine

Disclosing information

Once you decide to start a business, it is important to be careful on how much information is being disclosed to the public. Public disclosures could limit your ability to obtain patent rights. In addition, it might create the risk that somebody will copy your ideas.

If you are in a startup but have not licensed the invention, please consult your invention manager at INVO before making any public disclosures. The manager will let you know if signing a Confidentiality Disclosure Agreement (CDA) is necessary. Samples of CDAs are found at: www.invo.northwestern.edu/forms/guidelines-confidentiality-agreements.

In general, it is wise not to provide too many details of the invention when communicating with an external party. Even when common interests are clear and further and more serious discussion is indicated, it is not necessary to provide all the details about the invention or the company. Most investors often do not want to learn confidential information until they have moved onto the stage of “due diligence” and are seriously contemplating an investment. At that point, if the startup has already optioned or licensed the technology, they should already have a template confidentiality (nondisclosure) agreement.
(See [http://contracts.corporate.findlaw.com/corporate/nondisclose/345.html](http://contracts.corporate.findlaw.com/corporate/nondisclose/345.html) for an example of a confidentiality agreement.) Note that until your company has optioned or licensed underlying IP from Northwestern, or any other licensor, confidentiality agreements will need to include such parties, as they hold the rights to the IP.

**Can I do research in my academic laboratory for my startup?**

Once the company is incorporated, all research related to the startup needs to be conducted within the startup. There are strict regulations why startup companies are not allowed to conduct company’s work within the walls of the academic institution. Using the university’s facilities can result in grave penalties for the institution and the researcher. However, sometimes the academic lab pursues basic research that is complementary to the company’s product development work. In other instances, if proof-of-concept or reduction-to-practice experimentation still needs to be done, the academic laboratory may be best equipped to perform the work. In these cases, the startup can enter a sponsored research agreement with the founder of the startup. Funding from startups to the founder’s academic laboratory needs to be cleared by the Office of Sponsored Research and the School’s conflict-of-interest administrator. Often the founder is not allowed to receive the funds if he or she has a significant financial interest (i.e., stock or other ownership interest).

Regardless, the faculty member will need to develop a plan for going forward with the research in such a manner that potential conflicts have been mitigated. Such plans generally pay special attention to graduate student and human subject involvement in the research and to public disclosure in publications resulting from the sponsored research, and to corporate ties. Ultimately, a research contract will be negotiated between the company and Northwestern through which the company will gain prospective licensing rights to the results of the research and any associated intellectual property. Contract negotiation is handled by the Office for Sponsored Research ([http://www.research.northwestern.edu/osr/](http://www.research.northwestern.edu/osr/)).

**Do I need an option or license for the startup?**

INVO encourages the founder to consider an option rather than a license. An option is fast and less expensive and, further, it gives the entrepreneur more time to raise funds. If the entrepreneur is not successful, the technology has been tied up only for the duration of the option.
Typically, an option fee varies depending on the number of inventions, demand for the inventions, etc. The option period is normally 6-12 months, but extensions are usually possible. The optionee has the right to exercise the option upon raising funds, usually a minimum of $500K. A term sheet, which sets forth all the business terms, is attached to the option. Conversion to a license must be done within the period set forth in the option.

**What to expect with the startup license**

The inventor input is important in licensing decisions. However, because of the inventor's potential conflicts-of-interest, he needs to negotiate with Northwestern from an "arms-length" relationship. Agreements with faculty-initiated companies need to be reviewed carefully to ensure that Northwestern is justified in granting rights to the technology to the startup (as opposed to a larger company). The startup needs to demonstrate that they are better positioned to commercialize the invention than existing companies. In general, Northwestern gives priority to startups founded by Northwestern researchers.

It is important for the founder and the businessperson from the startup to be familiarized with the general license template and financial terms for startups at Northwestern. Please contact your invention manager for a template. License negotiations can be very fast or take several months. In general, the length of the negotiation depends on the experience of the management team in transferring technology out of the university environment into a startup.

Universities are required to include diligence terms to ensure that significant progress is being made towards commercialization of the invention. Business and development plans are required. The plans need to include basic information such as: the company’s purpose, a description of the technology, a market analysis, opportunity, stages for development, timelines, milestones, and a financing plan. The business plan is not a procedural manual but more of a high-level view of the startup’s intended structure and function. Because business plans are subject to frequent revision as directions change, they are a snapshot of the company at a particular point in time. The exercise of writing the plan is itself invaluable in that it makes the entrepreneur confront the key aspects of building a new business and form realistic rationales for why he or she believes the company will be successful. Invention managers at INVO can provide a general template of a business plan.

Once the license is executed, the licensee will reimburse Northwestern for the legal costs associated with the prosecution of the IP. If, for some reason, extraordinary legal expenses
have been accrued during the prosecution of the intellectual property, a reimbursement plan will be established to help the startup.

Some general terms to expect in the license:

- Field of use restrictions, since a startup company often cannot develop all the applications of an invention.

- Equity, milestone payments and royalties to the university because Northwestern invested resources, salaries, and space.

- Maintenance fees to ensure that the company is serious about developing the invention. In order to help the startup, the maintenance fees may be delayed/waived the first year.

- Requirement of sufficient insurance as specified by Northwestern University.

**Leading sources of frustration for the academic entrepreneur**

A startup moves at varying speeds, alternating between dizzyingly fast periods at high energy to other periods when the process seems stalled. These latter periods are the ones that the entrepreneur seems to find the most frustrating. Much of the frustration is based upon a mismatch of expectations. We list some of the leading sources of frustration among academic entrepreneurs below.

1. **Raising Capital.** A company without a clearly articulated and credible business opportunity (the so-called “value proposition”) will not be able to raise money. Even federal grant programs such as SBIR and STTR require a viable product-commercialization plan for Phase II awards. Academic entrepreneurs must make sure that the company is pursuing markets, not technology.

2. **Frustrations with the University - IP assignment:** You thought that you owned the IP on which your company is to be based. Unless your research findings are already in the public domain, the company will most likely need to negotiate an IP license with Northwestern. Please remember that your patent will be most likely will be invalidated if it is not appropriately assigned to Northwestern. It is important to make full disclosures of your
plans to the institution’s technology transfer office before going too far down the road in starting the company—especially before dealing with potential investors.

3. **Frustrations with the University - COI:** Conflicts-of-interest review and approval entail more than checking a few boxes on a form. Full disclosure, often in face-to-face meetings, is necessary.

4. **Relationships with business partners dissolve.** Being partners with people in a business is not the same as being in research collaboration with them. The pressures associated with a business may bring out behaviors in friends and colleagues that you wish you had never seen. A frayed personal relationship can be one of the most difficult things to endure in a startup, especially when you are legally still partners with the individual (e.g. through stock ownership). It is thus essential that you understand the motivations, visions, and goals of your co-founders, both on the science and the business sides, before you enter into partnership with them.

5. **You have to replace the CEO ---again and again.** Do not pick your CEO merely by the fact that he or she has had “business experience.” All too often, the business person in a nascent company lacks the right experience or skills to run a startup in the company’s particular industry. Replacing the CEO not only takes a great deal of time, but also may dissipate any momentum the company has built as well as depress staff morale.

6. **Your and the CEO’s visions for the company are at odds.** No matter who is right in such a situation, if the investors decide to back the CEO your vision is unlikely to prevail. Thus, you may have to compromise “for the good of the company” in order to remain a key player. The fundamental role of compromise in a young company’s success is a departure from the academic culture, which typically rewards independence. If the business is to be successful, you must be willing to listen, communicate effectively, and trust the expertise and business acumen of your partners.

7. **Relationships with investors sour.** Sometimes investors, think that academic discoveries are much closer to the market than they actually are. They may not have the patience for the ups and downs of an extended period of R&D. This disconnect may result from the investors’ lack of familiarity with the industry (so-called “dumb money”) or their having been given an unrealistically optimistic plan for product development. It is, therefore, very much in the academic entrepreneur’s interest to be as realistic as possible about R&D timelines when courting investors.
8. **Verbal promises have not been kept.** In the heady days of forming a new company, when everyone is excited about growing a new venture, a plethora of items are discussed and many promises are made. All too often, however, promises are not documented. A year or two later, those who made them either claim they do not remember doing so or are disinclined to make good on them. Handshakes are nice, but you should get such matters in writing, especially when related to money or stock.

9. **Starting and growing the company are consuming too much time.** Do not underestimate how much time it will take to form a new company. With the initial vision for the company, the founder will be called on to impart that vision to CEO candidates, potential investors, and numerous other people during networking activities. Because of the host of responsibilities that founders have, it would be wise to talk with founders of other companies regarding the amount of time is needed to devote to the enterprise.

10. **You fear losing control of the company.** Capital infusions from outside investors are a double-edged sword. On the one hand, they are the lifeblood that allows the company to move forward, but on the other, they result in the transfer of ownership interests. In an equity-investment company, it is virtually inevitable that the entity’s founders will one day become minority shareholders. A modest-investment company, however, has a much greater chance of remaining under the founders’ control. At numerous times in the life of a company, choices will have to be made with regard to accepting the money of others. How important is the investment capital? Is it worth the investors’ input and possible control of the venture?

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**Growing a company requires strong resilience. Temporary setbacks are part of the startup process. You need to be able to bounce back.**

*Thomas Meade, PhD*
*Professor, Chemistry*
*Northwestern University*
Persistence is probably the most important part of entrepreneurship. You must be prepared to persist in achieving your goal until you literally can not physically or mentally do it anymore. It is a way of life not a character trait. If your goal has value, you will reach it eventually.

Joseph Moskal, PhD  
Founder  
Naurex, Inc.

Northwestern Entrepreneurial Resources
Northwestern is growing a vibrant community of faculty, students and alumni entrepreneurs. For an up to date list of available commercialization resources, please refer to [http://www.invo.northwestern.edu](http://www.invo.northwestern.edu)

About the Innovation and New Ventures Office
Founded in 2010, The Innovation and New Ventures Office inspires and nurtures a culture of innovation, bridging Northwestern research with its practical use for public benefit.

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