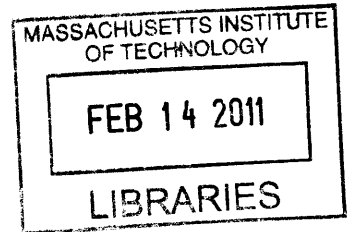# People and Places:
An Exploration of Boston Start-up Formation

By

Carrie L. Stalder

B.S. Engineering and Applied Science (2001)
California Institute of Technology

Submitted to the System Design and Management Program
in Partial Fulfillment of the Requirements for the Degree of

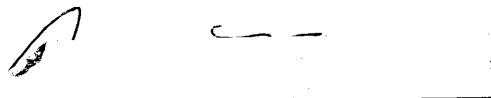## Master of Science in Engineering and Management

at the
Massachusetts Institute of Technology

September 2010
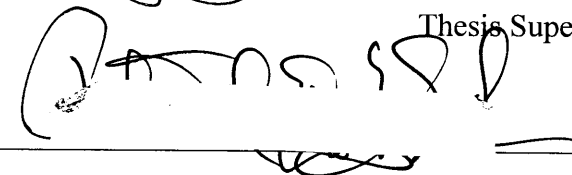
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Carrie L. Stalder
System Design and Management Program
January 2009

Certified by

Michael A. M. Davies
Thesis Supervisor, Engineering Systems Division

Accepted by

Patrick Hale
Director
System Design & Management Program

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People and Places: An Exploration of Boston Startup Formation

by
Carrie L. Stalder

Submitted to the System Design and Management Program on 20 August 2010 in Partial Fulfillment of the Requirements for the Degree of Master of Science in Engineering and Management

Abstract

Boston, specifically Kendall Square, has a high concentration of technology startups. This concentration provides the opportunity to study the connection between the founding conditions and the outcome of the entrepreneurial effort in a relatively controlled environment. Through case studies including deep research and founder interviews we explore the role of people and places in the founding of four Cambridge technology start-ups. The findings indicate maturity of ideation, team size, experience – in startups in general and in the specific sector, understanding of the local entrepreneurial ecosystem, passion for the mission and ability to communicate are key factors in the success of a startup. Connectors – people and places – are best engaged to assist in completing a founding team who have a defined focus and to provide investor leads to a founding team post-ideation, but founders with the ability to make first-degree connections may be more successful than those who use connectors.

Thesis Supervisor: Michael A. M. Davies
Title: Senior Lecturer, Engineering Systems Division

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- my thesis advisor, Michael Davies, and my partner in founding The Venture Café, Tim Rowe.

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1 Introduction

1.1 Motivation

The particular content and entrepreneurial energy of Kendall Square is unlike any other location in the world because of the presence of MIT along with Cambridge Innovation Center, reportedly the largest collection of start-ups in the world under one roof. The Boston Consulting Group's research revealed the Kendall Square area to be the densest collection of biotech and IT companies in the world.[1] This Kendall Square 'natural experiment' provides the opportunity in which to examine how businesses in this area came to be. Particularly of interest is how the key events of team formation and funding post-ideation, collectively the 'founding condition', influence the outcome and success of the venture.

Regarding founding conditions at startups in particular, Harvard's Noam Wasserman raises questions about the team's ability to work together to solve early issues, as well as "the team's stability over time and the company's ability to grow."[2] Start-ups are built by small teams and we hope to learn more about why two teams with the same product idea might have very different outcomes.

1.2 The research question

We seek to understand the potential impact of key people and key places on the formation and success of businesses. We hypothesize that Kendall Square Information Communication Technology (ICT) start-ups formed between 2003 and 2008 had co-founders with prior relationships from school or work, what I am calling an 'organic' team formation. To acquire funding, however, these same companies used extended connections. Does the presence of connectors in the founding condition on either the team formation side or funding side proved to be a harbinger of later success?

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[1] Page 11, http://www.box.net/shared/jz7kp8ceuz.
[2] http://founderresearch.blogspot.com/2005/11/founding-with-friends-founding-with.html/

1.3 Method

While the stories presented and examined do not make a statistically significant set, we do know from the tradition of sociological research that given the construction of a screening process, the 'case study' method of hypothesis creation and testing can be more than simply anecdotal. These stories in effect are the documentation of a natural experiment in which no control can be created, because by the very nature of the experiment, we are examining the dependence of the results on the paths taken. Kathleen Eisenhardt describes a method of building theories from case study research that was used as a loose guide in this work.[3]

While a control in the form of a perfect start-up does not exist, in Kendall Square, we have a natural control over geographical location, unlike in Northern California where we would have to account for location due to startups being spread over Silicon Valley, Palo Alto, San Francisco and beyond. As well, since we are focusing on a certain time period that created uniform economic conditions (i.e., purse strings were loosening, but investors were cautious), the contemporaneousness can also be considered a control. These fixed variables allow us to discount other factors heavily.

Over the course of the last year, I have been performing research by immersion, through my involvement with the MIT $100K Entrepreneurship Competition and with the effort to start a gathering place and café for entrepreneurs and innovators in Kendall Square (code-named Venture Café, after the eponymous book by MIT alumna Teresa Esser). To select an initial sample of Kendall Square startups for this thesis, I interviewed local entrepreneurs at networking events, performed secondary research relying on company websites, and surveyed Mass High Tech, Crunchbase, and Xconomy company directories as well as Google searches.

Following a first-order screening, I performed in-depth research into the companies' histories, and contacted the companies' founders to perform primary research based on email correspondence, and on phone and in-person interviews, as documented in Section 3. While this

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http://intranet.catie.ac.cr/intranet/posgrado/Met%20Cual%20Inv%20accion/Semana%203/Eisenhardt,%20K.%20Bu ilding%20Theories%20from%20Case%20Study%20Research.pdf

is a smaller sample set than is generally used for this kind of work, the in-depth research and conversations I had with the companies make for a richer data set, allowing me to draw more advanced conclusions.

For background on founding stories, trust relationships, and the influence of social networks on founding and funding, I performed a literature review, including blog posts, white papers and case studies, and integrated insights gained from my immersion in the local entrepreneurial community throughout.

2   Selection of Startups Under Study

2.1   Sector selection

Kendall Square is an epicenter of biotechnology, pharmaceutical companies and tech or Information Communication Technology (ICT) startups. For this work I chose to study ICT businesses because of the triad of competencies (technical, business and marketing) needed to be successful.[4]

2.2   Timeframe Selection

The time period was chosen because it was a time of growth in this area – starting near the end of the recovery period post-dot-com-bubble-burst, and prior to the 2009 economic downturn. Businesses formed following 2008 are too recent for us to assess regarding their market success or longevity. Along the same lines, businesses must have had an offering in the market by January 2009 to allow for sufficient time to understand the outcome and to make substantive conclusions.

2.3   Location Definition

I define "Kendall Square" to be the 10-minute walking circle, indicated in the graphic below, around the MBTA Kendall/MIT T-stop.

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[4] http://www.aip.org/tip/INPHFA/vol-9/iss-3/p16.html
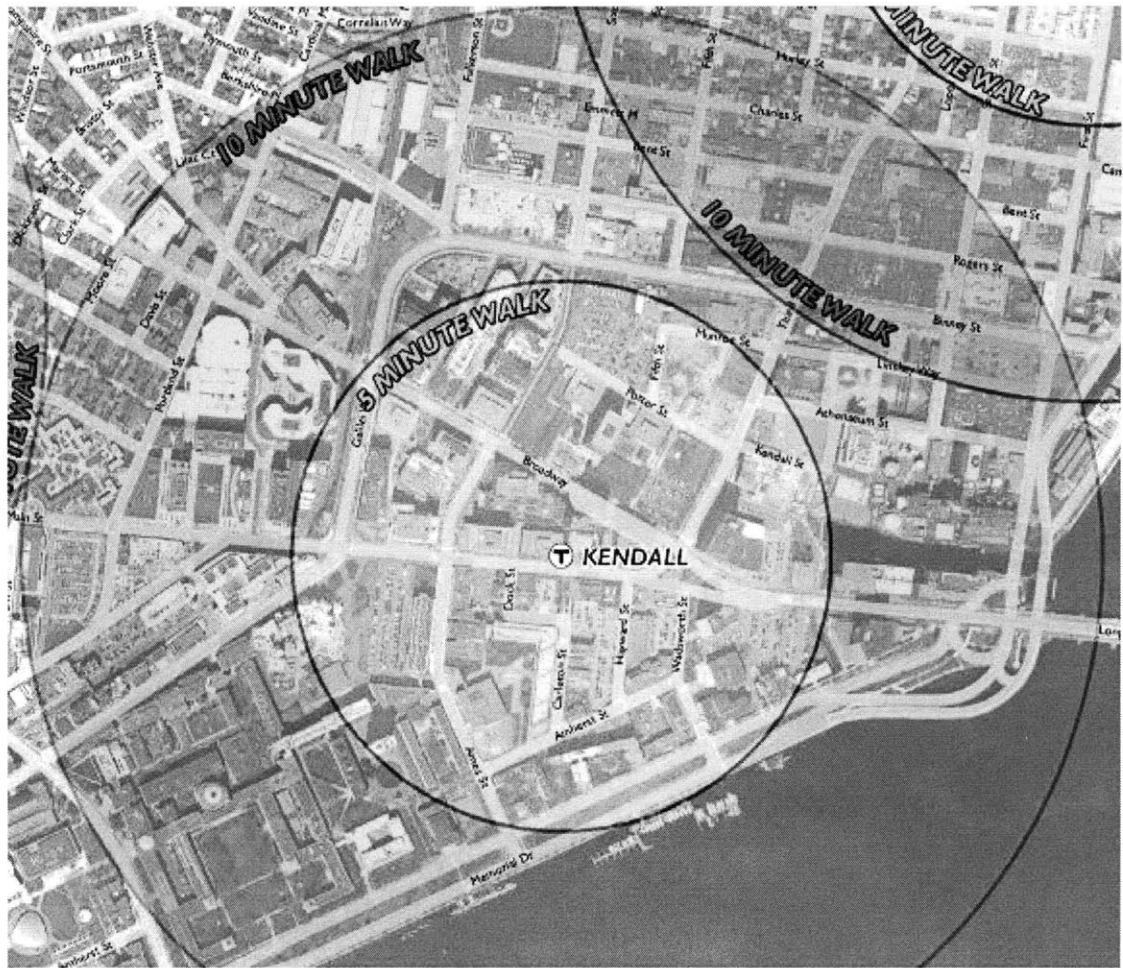
Figure 1: Kendall Square 10-minute Walking Circle[5]

2.4   First-order List of Startups Under Study

I selected 15 startups, which on a first-order review, meet the sector, timeframe and location criteria for study. The table below provides the name, date of founding, sector and address for that initial group.[6]

Table 1: First-order List of Startups Under Study

Name	Address (in Cambridge, MA)	Founding Date	Sector/Product
Allurent	222 Third St., 4th fl.	2005	Software – E-commerce

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[5] http://www.kendallsq.com/maps
[6] http://www.crunchbase.com

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			sites
Basho Technologies	196 Broadway	2007	Software – Non-relational database development
Brightcove	One Cambridge Center	2004	Software - Internet video distribution
Buzzient	One Broadway	2007	Software – Social media management
Conduit Labs	One Broadway (c. 01/2010)	2007	Software – Online music games
Harmony Line	238 Main St. Ste. 305	2004	Software – Music composition
Hubspot	One Broadway (c. 01/2010)	2006	Software & consulting – Inbound marketing
MyHappyPlanet	One Broadway	2007	Software – Crowdsourced language learning
Quantum ID	One Broadway	2005	HW/SW – RFID tracking
Sermo	215 First St.	2006	Software – Online physician community
Treedia Labs	One Broadway	2006	Software – Feed aggregation, media distribution
UpDown	One Broadway	2006	Software – Virtual investing & community
Vitality	One Broadway	2006	HW/SW – Medication adherence devices
WebNotes	100 Memorial Dr. Ste 11-21C	2007	Software – Webpage and document markup
Youcastr	18 Hurley St., #2 (c. 01/2010)	2007	Software – Video distribution and monetization web platform

3 Founding Stories

3.1 Second-order screening

In addition to the first-order criteria laid out above, I applied additional criteria in a second screening in order to draw from a consistent set of companies. First, I required a start-up to have more than one founder. Second, the technical development had to be primarily accomplished in-house. Third, the business must be for-profit with a clear plan for revenue generation and be a going concern in the Boston area as of January 2010. The five companies that failed to meet these criteria are Buzzient (single founder), MyHappyPlanet (single founder, outsourced technical development), Sermo (appeared to be non-revenue generating), UpDown (appears not to be a going concern) and WebNotes (no longer in Boston[7]).

The businesses from the list above that met the second-order criteria are Allurent, Basho Technologies, Brightcove, Conduit Labs, Harmony Line, Hubspot, Quantum ID, Treedia Labs, Vitality and Youcastr.

I contacted each of the companies that passed the second-order screening in August 2010 to schedule an interview regarding the formation of the business, specifically the founding team formation and early-stage funding. I received responses, performed deep research and completed interviews with Conduit Labs, Hubspot, Vitality and YouCastr.

Vitality is pioneering a medication adherence and compliance system embedded in pill bottle caps with connections to the patient's doctor, pharmacy and family for support. They were founded in 2006 and are currently in pilot testing and data collection phases.

Hubspot is an online business-to-business suite of marketing tools for the small- to medium-sized business. They were founded in 2006 and are growing in both company size and customer base, with current customers numbering over 2900.[8]

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[7] From conversation with Nils Johnson, angel investor, 8/9/2010.
[8] http://www.hubspot.com

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YouCastr is a video distribution and monetization platform for user-created content. They were founded in 2007 and placed the site up for sale in Spring 2010.

Conduit Labs is a social game development business dedicated to creating spaces online for users to connect in meaningful ways. They were founded in 2007 and were acquired in August 2010 by Zynga, the largest online game producer in the country.

3.2   Interview questions

During the interviews with the founders or founder representatives from each of the businesses, I asked a consistent set of questions, in addition to situation-specific questions when appropriate. Prior to the interview I performed extensive research into the background and timeline of each founder and of the business. In the interview, the general questions asked of all groups were:

1. How and when did the co-founders meet? (When and where did first contact occur? Subsequent contact? Eventual team formation?)
2. Is there a person or place you would attribute as the reason for the founders meeting? How did this come about?
3. Were there additional key management team members added after the initial founding team was formed? How did you meet them?
4. Was there a key person that helped your company find and secure funding, especially your first round of funding?

In sections 3.3 to 3.6, the responses from each of the businesses are documented.

3.3 Vitality™

"Vitality addresses the billion-dollar adherence problem for pharmaceutical brands, retail pharmacies and healthcare providers with a simple device — a cellular-connected pill cap.

"Vitality GlowCaps illuminate, play a melody, and even ring a home phone so patients don't forget [to take their medication]. They can send weekly emails to remote caregivers, create accountability with doctors through an adherence report, and automatically refill prescriptions. Vitality improves medication adherence, health, and peace of mind."[9]
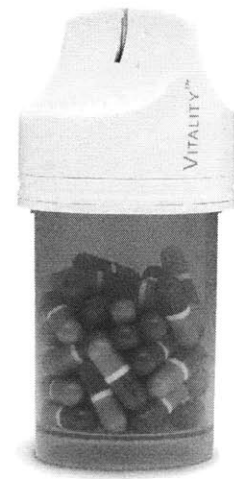
In addition to extensive research into the story of Vitality, the co-founders David Rose, CEO, and Josh Wachman, President, sat for an interview to tell their story.[10]

Figure 2: GlowCap

The key findings of the research regarding the founding and funding of Vitality:
- Founded 2006, though work began in 2005
- Headed by 2 co-founders, both serial entrepreneurs with MIT Media Lab connections
- Met through a connector, David Tames, formerly of MIT Media Lab ('facilitated')
- Worked together previously at Viant & Ambient Devices prior ('facilitated' to 'organic')
- Lived in the area for 20 years
- Are new to pharmaceutical domain
- Are more similar than different
- Are passionate about innovation and design
- Were funded through connector facilitation and networking ('facilitated')

Rose and Wachman met through an MIT Media Lab connection. They were both graduate students there in the early 1990's but did not overlap. The person who introduced them, David Tames, was referred to as a 'hyperconnector' by Rose. Tames referred Wachman for a position at Viant where Rose was Director of Innovation.

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[9] http://www.vitality.net/company.html
[10] Interviewed at Cambridge Innovation Center, Friday, August 13, 2010 at 4:15pm.

Rose and Wachman worked together for approximately two years at Viant prior to Wachman leaving to work full time on a side project in the interactive television space, Watchpoint. (Rose also invested $50k in Watchpoint and served as an advisor.) Rose also left Viant to start a company – the 'glanceable' device maker, Ambient Devices. Rose and Wachman maintained social contact and in 2004 Rose hired Wachman as a consultant to work on a project for Novartis at Ambient. At that time, the idea for a medication compliance device was considered as a possible future direction for Ambient, or possibly as a spin-off. In the end, Ambient did not pursue the idea, and Wachman began work on Vitality later in 2004, though he did consult for Fidelity Investments on a per-diem basis. Rose became involved near the beginning in 2005 and came on full-time in early 2008.

An early addition to the management team was Jamie Biggar, the vice-president of software development. Biggar had previously worked with Rose's wife. He was responsible for the creation of an early prototype that was shown to investors.

On the investment side, as part of the first funding round that closed in early 2005, a notable early investor was Nicholas Negroponte, founder of the Media Lab, who had also invested in Watchpoint. Later on, Wachman was re-establishing connections and attended an MIT Venture Mentoring Service mixer/pitch night event where he had a serendipitous encounter with Peter Lewenberg, a Boston angel. Lewenberg connected the Vitality team to his son-in-law, Brad Oleshansky, President and COO of Big Communications in Detroit, MI. (Big Communications' core business is marketing for pharmaceutical companies.) Oleshansky became an advisor and investor, and continued to assist in the fundraising efforts. In what proved to be a fruitful trip to Los Angeles, Oleshansky and Rose met with Patrick Soon-Shiong. Soon-Shiong was so taken with the idea that he insisted that no one leave the room until they could get a deal worked out. (Soon-Shiong is worth over $4B, was #87 on the Forbes 2009 list, and is CEO of Abraxis Health and founder of American Pharma Partners and Abraxis Bioscience.[11]) Soon-Shiong continues to be an active investor in and advisor to Vitality.

[11] http://investing.businessweek.com/research/stocks/people/person.asp?personId=1448886&ticker=ABII:US

Vitality is testing the Glow Cap widely with hospital and physician partnerships, marketing to pharmaceutical companies and planning to market to insurance companies once sufficient data is collected.

3.4 Hubspot®

"HubSpot, Inc. offers B2B inbound marketing software. Its products include HubSpot Owner, which generates qualified leads and convert leads into sales; and HubSpot Marketer that offers inbound marketing tools."[12]

Figure 3: Hubspot Logo

In addition to the extensive research into Hubspot and founders Brian Halligan (CEO) and Dharmesh Shah (CTO) (as well as a session in Product Design class focusing on their development methodology), Yoav Shapira, VP of Engineering and early employee, sat for an interview to discuss the founding.[13]

The key findings of the research regarding the founding and funding of Hubspot:
- Founded 2006
- Headed by 2 co-founders, one was a serial entrepreneur, both with MIT Sloan connections
- Met through MIT Sloan Fellows class ('organic')
- Lived in the area for over 15 years
- Are not new to sales and software domains collectively
- Are more different than similar, and built an early team of specialists
- Are passionate about helping the small business owner
- Were funded through networking and previous connections ('mixed')

Halligan and Shah met at MIT's Sloan School where both were Sloan Fellows. While Halligan graduated in June '05, and Shah in June '06, Halligan returned to speak at the Sloan Fellows' Sales class, at which time he and Shah met. Since graduation, Halligan had been working at Longworth Venture Partners, and saw some of the pain small- to medium-sized businesses experienced with the digital revolution.

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[12] http://www.crunchbase.com/company/hubspot

Halligan and Shah talked about whether there was a way for them to help small businesses with software. The product vision started out as an 'online office suite' a la Google Docs, but morphed into the current inbound marketing product. Shah began to work on the idea at a desk in Cambridge Innovation Center (CIC) while he was still in the Sloan Fellows program. They kept in touch over email and officially formed Hubspot in June 2006.

Early additions to the team involved Halligan and Shah returning to their connections at MIT Sloan, in the form of Mike Volpe (VP Marketing, Sloan '03-04) and Mark Roberge (VP Sales, Sloan '04-05), who both knew Halligan from school, and Jonah Lopin (VP Customer Success, Sloan '05-06), who knew Shah from school. Their VP of Engineering, SDM06's own Yoav Shapira, was hired soon after.

On the funding side, in May 2006, Halligan and Shah gathered $500K in angel investment, including funds from Shah.[14] Series A followed in September 2007, with General Catalyst and Brian Shin (Visible Measures, Shareaholic) investing $5M collectively. Halligan's connections from working for Longworth, including Joel Cutler from General Catalyst, and Shah's previous startup experience, and introductions by a couple of unidentified MIT Sloan professors helped to make those connections. Additionally, after Hubspot was up and running but prior to serious funding, Halligan started an informal networking group called the SITE Forum (Sloan Information Technology Entrepreneurs Forum). VCs and entrepreneurs were frequent attendees, surely assisting in fundraising by establishing a name in the field for Halligan.

In Series C, Halligan and Shah planned to go to the West Coast to grow the brand, so they sought out, through emails, some Silicon Valley late stage funds. In the end, Rob Theis at Scale Venture Partners made the decision to invest. Though the connection to Theis happened directly, an MIT alumnus, Ben Fu, did much of the research for Scale prior to the deal. Fu reportedly contacted Dan Dunn, a Hubspot Product Manager and friend from MIT, to gather details.

It is to be noted that all VCs from Series A continued into B and from B into C.

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[13] Hubspot offices, Monday, August 17, 2010 at 4:15pm.

[14] http://www.crunchbase.com/company/hubspot

Hubspot continues to grow, with staff now numbering 160. Hubspot outgrew its offices in the One Broadway building in late July 2010 after spending four years in the heart of Kendall Square. Further they are making a conscious decision to stay in the city to be able to attract what they consider the best talent, and still frequently hire from MIT.

3.5 YouCastr®

"YouCastr is a web service that allows content owners to charge for their video[s] online. The YouCastr platform allows content creators to broadcast video live as well as upload it and charge audiences for live, on-demand, download, and DVD access. YouCastr shares 70% of earnings back with content creators.
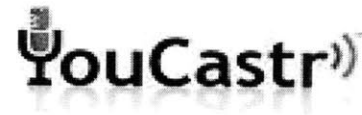
Figure 4: YouCastr Logo

The platform works best for sporting events, feature-length and short films, musical and theatrical performances, music videos, instructional videos, conferences and speeches, and other valuable video content."[15]

In addition to extensive research and multiple in-person conversations since October 2009 with Matthew Hodgson and Ariel Diaz, as well as Chief Architect Colin Ulen regarding YouCastr, Diaz, CEO as of 01/2010, provided responses by email to the specific interview questions, and also blogged about his experience.[16] The founding team consists of Ariel Diaz (CEO), Jeff Hebert (COO), Matt Hodgson (CTO) and Brad Johnson (Chief Strategy Officer).

The key findings of the research regarding the founding and funding of YouCastr:
- Founded 2007
- Headed by 4 co-founders, all new to entrepreneurship from the management consulting world
- Met at Dartmouth and Fletcher Spaght ('organic')
- Most new to Boston within 5 years
- Are new to web video world
- Are more different than similar

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[15] http://www.crunchbase.com/company/youcastr
[16] http://theambitiouslife.com/youcastr-a-post-mortem

- Lacked passion for product area
- Were funded through friends and family ('organic')

Diaz and Hebert attended Dartmouth as undergraduates together. Although they were separated by two years, they shared experiences, both socially, in a fraternity, and in a project atmosphere, as part of the Dartmouth Formula Racing team. As Diaz' original idea to provide a 'Mystery Science Theater 3000' ability for online sports video content developed, Hebert brought in Matthew Hodgson, whom he knew from Dartmouth's Tuck School of Business to work on the technical side. While Diaz did not know Hodgson well, they began to work on the design together. Hebert brought in two additional members to the team from his employer at the time, though only one, Johnson, remained with the team through founding. Over the course of a few months, a prototype was developed, the company was founded and fundraising efforts began.

While there was not a need to grow the management team further, the technical side needed an additional pair of hands. About a year into the development, Colin Ulen was brought in as Chief Architect. Ulen was also a Dartmouth graduate school alumnus, and had shared an apartment with Hodgson during school.

On the funding side, a seed round of $500k was raised in February 2008 mainly through friends and family of the founding team, primarily through connections of Hodgson, Johnson, and Diaz. However, as Diaz noted, "almost immediately after our private beta, we started trying to raise money, and saw many of the typical challenges when raising money for the first time. [In] late 2007... we spent 6 months raising our angel round, and finally closed it after launching our public beta in February 2008. We raised less than we should have ... [and] spent 3 months getting ready [to raise] our next round, then 6 months beating our head against a wall trying to raise money during the financial collapse... we but had serious short term cash issues that we had to resolve with additional investment from current investors and cutting of costs."[17]

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[17] http://theambitiouslife.com/youcastr-a-post-mortem

As of June 2010, YouCastr has closed its doors with the founders moving on to other projects. The main reasons Diaz provides for the shuttering in the post-mortem blog post[18] are lack of funds, absence of a market and the team being ready to move on.

3.6   Conduit Labs

"Conduit Labs is the largest provider of music games on the web, creating a new model for monetizing music and other media through fun social games.
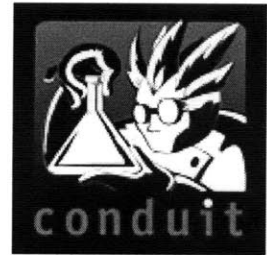

Figure 5: Conduit Labs Logo

"Conduit Labs is the largest holder of music rights of any music games company, and [is] driven to make the opportunity for music games even larger than the opportunity for music videos 20 years ago. [They] believe digital media will need to find ways to engage with users in deeper, more interactive, and lasting ways in order to flourish in the new media landscape."[19]

Conduit Labs founding team consisted of Nabeel Hyatt (CEO), Daniel O'Brien (VP Technology), Dan Ogles (Creative Director) and Michael Sheidow.[20] In addition to extensive research into the founders and founding, including conversations with Hyatt's friend and "landlord" for 3 years, Cambridge Innovation Center CEO Tim Rowe, I interviewed Hyatt by phone as he was in San Francisco, closing the acquisition deal with Zynga.[21]

The key findings of the research regarding the founding and funding of Conduit Labs:
- Founded 2007
- Headed by 4 co-founders (3 remaining), CEO was serial entrepreneur
- Met through a connector, Jason Booth ('facilitated')
- Lived in the area for 15 years
- Are experienced in the gaming domain, except the CEO
- Are more similar than different
- Are passionate about online community facilitated through gaming

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[18] http://theambitiouslife.com/youcastr-a-post-mortem

[19] http://www.crunchbase.com/company/conduitlabs

[20] http://www.crunchbase.com/company/conduitlabs

[21] Interview by phone on 8/17/2010 at 11:00am.

- Were funded through prior connections and networking ('mixed')

In the mid-2000s, Hyatt knew he wanted to get into online gaming to fill the need for a casual 'hang-out' spot online. While he was an Entrepreneur-in-Residence at Prism Ventureworks he started 'pounding the pavement' networking. He attended a Boston Post-Mortem session where he met a few people, but he pressed on. He discovered that gaming is a separate subculture from the typical web startup world, in the same way that biotech is a subculture. "After [meeting] hundreds of people, [Hyatt] ended up having dinner with Jason Booth around November [2006]."[22] They hit it off, and Booth, who was working at Harmonix and had been in the Boston area for 12 or 13 years had a lot of connections. Booth introduced Hyatt to Michael Sheidow, and soon after O'Brien and Ogles joined the team. They met weekly to work on details and received some seed funding from Prism, where Hyatt was still EIR.[23]

While Hyatt does fill the role of visionkeeper, experienced entrepreneur and marketing specialist, he sees the team not as fitting into silo-ed roles, but rather being 'polyglots' – a little game designer, a little engineer, and so on. For example, Ogles is a product development person, but is also a great engineer. Hyatt sees them all wearing different hats at different times, like many tech startups.

The core team of four stayed through the first year and a half, including Sheidow. At that time, Hyatt realized they could use a VP of Business Development with connections in the music industry, and, while out-of-character, he decided to hire a recruiter to find candidates because development was in full swing and he did not have the time and energy to do the legwork himself. This search led to the hiring of Josh Hubble, the current VP of Business Development.

On the funding side, the core group of Hyatt, O'Brien, Ogles and Sheidow worked to raise the $5.5M Series A round from Prism Ventureworks and Charles River Ventures in the first 4-6 weeks. Since Hyatt had been EIR at Prism, Prism had a personal relationship with him, and they knew how he worked and wanted to invest in him. In contrast, the Charles River funding was the result of a common startup fundraising story of marketing the team and the business to the VCs.

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[22] http://blog.conduitlabs.com/2007/08/21/why-we-started-conduit-labs/

Fortunately, during Hyatt's search for a team and pitching the idea at various gatherings, he had gained credibility in the gaming world, so when the venture capitalists asked around, they heard good things. Ultimately, Charles River Ventures and Susan Wu was the best fit given Charles River's involvement with the social web.[24]

Conduit launched three online social games: LoudCrowd, as a web-based Flash game, and Music Pets and SuperDance on Facebook. LoudCrowd was shelved in July 2010.[25]

In Spring 2010, Conduit Labs moved from One Broadway, where they had been headquartered from the start, to larger office space in the Barron Building in Central Square. One hour after the interview concluded with Hyatt, the news of the acquisition of Conduit Labs by Zynga, the largest online games developer, was made public. The terms were not announced, but the deal is expected to be an all-stock deal.

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[23] http://blog.conduitlabs.com/2007/08/21/why-we-started-conduit-labs/

[24] http://blog.conduitlabs.com/2007/08/21/why-we-started-conduit-labs/

[25] http://www.loudcrowd.com

3.7 Summary

In the table below I summarize the results of the 'deep dives' into Vitality, Hubspot, YouCastr and Conduit Labs, with connections indicated by ">".

Table 2: Summary Table of Findings

Business	# of Founders	Year of founding	Team Formation	Capital Sourcing
Vitality™	2	2006	*Mixed:* MIT Media Lab > David Tames > Viant	*Connector-facilitated:* MIT Media Lab > Nicholas Negroponte; MIT Venture Mentoring Service event > Peter Lewenberg > Brad Oleshansky > Patrick Soon-Shiong
Hubspot®	2	2006	*Organic:* MIT Sloan	*Mixed:* Halligan formerly at Longworth; Networking, SITE Forum > Joel Cutler, General Catalyst
YouCastr®	4	2007	*Organic:* Dartmouth	*Organic:* Friends & family
Conduit Labs	4 (3 still involved)	2007	*Connector-facilitated:* Networking > Jason Booth, Harmonix	*Mixed:* EIR at Prism Ventureworks; Networking, building cred, pitching to VCs > Charles River Ventures

The figure below shows where each startup falls on a 2x2 matrix, grouping them into 'organic' and 'facilitated' categories in each of 'team formation' and 'capital sourcing'.
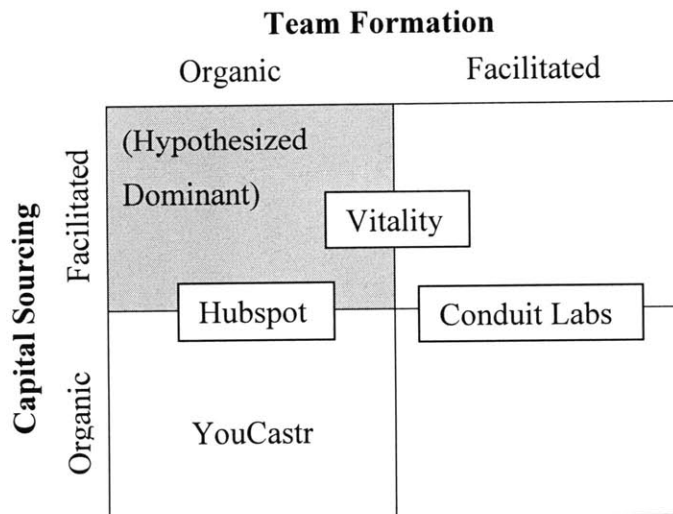
Figure 6: 2x2 on Founding Conditions

4 Analysis

There are a variety of trends this qualitative data reveals about start-up formation. While this is a small sample, by limiting the location, domain, and timeframe, and focusing on only the founding conditions, we can examine a few points and make some substantive conclusions.

Team Size: This data set supports the "2, sometimes 3, founders are best" position.[26] YouCastr, the only one to have 4 founders throughout, has since folded.

Newness to entrepreneurship: Seasoned entrepreneurs are more likely to succeed in a future venture. YouCastr, the only one with all first-time entrepreneurs, has since folded. Although Conduit Labs had only one member, Nabeel Hyatt, who had previously founded a startup, they have crafted a successful exit. Also, it is noted that even if the previous ventures were unsuccessful, the lessons learned and experience of the failure provide a strong foundation for future ventures.

Newness to domain: In each case, at least one member of the founding team was new to the domain, and while this requires additional effort to understand the market, build a network and gain credibility for financing, this is not an insurmountable hurdle. The founders of Vitality and the CEO of Conduit Labs each were very new to their fields, and they demonstrate that with work to learn about the intricacies of the domain and to connect with key people (e.g., Brad Oleshansky, Patrick Soon-Shiong in Vitality's case; Jason Booth in Conduit's case), success can be attained. Hubspot had the advantage of both software sales and development experience in its founding team, as well as market and customer understanding. For YouCastr, everything was new – the coding language, the video hosting domain, and the customer – which likely led to some of the difficulties.

Newness to geographical area/local connections: The knowledge of the entrepreneurial ecosystem and connections the founders acquire over time favor those who have lived in Boston for longer. The Vitality co-founders have the distinction of being in the Boston area for the

longest – 20 years, and the YouCastr team for the shortest time. It is also evident that the MIT connections Vitality and Hubspot did help in the founding and funding.

Passion/interest level: With the exception of YouCastr, whose CEO calls out lack of passion for the problem/product in their post-mortem blog post, I have received every indication that each of the others is thoroughly passionate and engaged in his businesses.

Team 'complementarity': While this was part of my hypothesis – that teams facilitated by connectors would have more 'complementary' teams, and that more complementary teams are more likely to be successful,[27] the one message that did come across in most of my interviews is that everyone in a startup founding team has to be willing and able to wear many hats. Thus, the founders may in fact be similar, but similar in the fact that they are 'utility players' or 'polyglots' rather than specialists. Again, this may have been a downfall of YouCastr – that in having so many co-founders, they divided up and silo'ed duties to the specialists. Although Hubspot may be the counter-example in this case, as they fairly quickly built a large executive team with specializations (Sales, Marketing, Customer Success, Engineering), that said, Hubspot has also grown to 160 employees in four years and potentially needed that structure.

Importance of networking: Although the hypothesized dominant mode of connector facilitation for funding was not completely borne out, this is primarily due to the fact that through networking themselves, rather than relying on connectors, these founders were able to make connections, and possibly stronger ones than could be made by a third-party connector. Another benefit of networking that both Hyatt of Conduit Labs and Rose and Wachman of Vitality touched upon, albeit in slightly different ways, is the ability for others to carry your message. In Hyatt's case, the advantage was the intangible credibility that he gained from talking with people, later useful when VCs were asking around about him. In Rose and Wachman's case, they see every conversation as the opportunity to spread their meme to influencers, and their opportunity to start changing the world.

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[26] http://www.aip.org/tip/INPHFA/vol-9/iss-3/p16.html

[27] http://onstartups.com/tabid/3339/bid/2984/Entrepreneurs-Co-Founder-Issues-Driving-You-Crazy-7-Simple-Insights.aspx

5 Conclusions

While the hypothesis that the dominant founding condition was organic team formation and facilitated funding was disproven, we were able to gather some insights from the businesses under study.

We conclude that an endeavor is more likely to be successful if the area of focus is selected prior to building out the founding team, rather than forming a team prior to selection of this focus, or customer need. Honing the founders' intentions also enables efficient networking and use of connectors to round out the team, as there is the beginning of a vision already on the table to provide a framework. If the team simply gathers to start a business without having a clear passion uniting them, there are more likely to be factions and divisions as the effort moves forward. As well, the skill sets needed may not exist within the founding team if the ideation has not matured prior to completing the team.

This need for a clear intent applies to finding funding as well, with the importance of communication of the vision and the team's credibility influencing funding opportunities. Investors, whether venture capitalists or private investors, look for a founding team who is willing and able to make the endeavor successful. If the intent is unclear, the team will not find the right investors for the opportunity.

5.1 Implications

These findings have implications for venues like Venture Café, which can be a gathering place for individuals who endeavor to act as 'connectors' for startups. In assisting with team formation, this research implies that in order to encourage the highest potential founders, the connector should seek individuals with a clear vision and understanding of the domain, or a desire to learn – putting together the 'right people at the right time.' Similarly, in enabling fundraising, a person connecting the 'right team with the right investor' should focus on teams who, as a whole, are working to establish credibility in their domains, who show a real understanding of the market, and who have a common vision for the best return on investment in terms of time and effort.

5.2 Future study

This series of case studies could be extended to additional businesses that meet the criteria to enrich the analysis and conclusions. In particular, I would seek out other businesses on each end of the spectrum – ones that had larger founding teams, ones that were new to entrepreneurship, and others that had smaller teams, and others with teams new to the domain but not to entrepreneurship.

An additional tangent that could be explored is whether, in a case like Hyatt at Conduit Labs, the founding team really should be considered founders, rather than early employees, since a single person sought out and created the team. This informs the definition of 'founding team' and also the maturity at which an idea becomes a business, or the 'founding moment.'

6 Appendix
6.1 Vitality Background

Vitality-Management Team
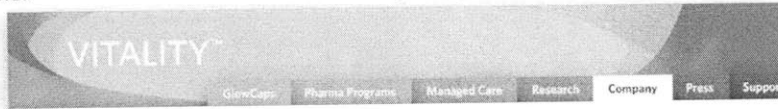
Management Team

About Vitality
Management Team
Advisory Board
Contact Us
Events

Management Team
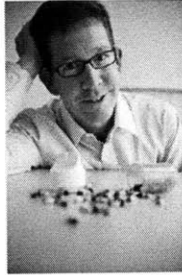
David Rose
Chief Executive Officer

David Rose is a technology visionary, serial entrepreneur, and is Chief Executive at Vitality, a company that is reinventing medication packaging.

Previously, he was founder and CEO of Ambient Devices where he pioneered embedding Internet information in everyday objects like umbrellas, light bulbs, bathroom mirrors, and refrigerator doors, to make the physical environment an interface to digital information.

Rose is the inventor on many patents including online photo-sharing, information visualization, interactive television systems, ambient displays, proximity sensing displays, and smart medication packaging.

Rose teaches a popular course in tangible user interfaces at the MIT Media Lab. He speaks frequently on product innovation at industry conferences and corporate retreats.

He received Bachelor degrees in Physics and Fine Art from St. Olaf College and earned a Masters degree from Harvard University.

He lives in Brookline with his wife and two young children and enjoys singing in the Tanglewood Festival Chorus.

Joshua Wachman
President

Joshua Wachman has a track record developing head-turning products and building innovative businesses in technology, media & entertainment, financial services and consumer healthcare.

He began his professional career as an Imagineer developing theme parks and new businesses for Walt Disney's highly secretive R&D division.

As President of WatchPoint Media, Wachman was the creative and technical visionary behind a "clickable video" technology that embedded advertising and commerce hyperlinks directly into cable and satellite TV. (WatchPoint was acquired by GoldPocket in 2003.)

As Vice President of Business Development for Fidelity's Online Strategy Group, Wachman led new product development and was point person for strategic initiatives in social networking, multi-media publishing and content syndication.

Wachman has been retained as a technology strategist by Sony, The National Inventors Hall of Fame, Ambient Devices, Viant, Dreamworks and Fidelity. He has a film credit for

vitality.net/company_management.html

Figure 7: Vitality Management Team - Page 1[28]

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[28] http://www.vitality.net/company_management.html

He earned his Bachelors and Masters degrees at MIT where he studied at the renowned MIT Media Laboratory.

He resides in Brookline, Massachusetts with his wife and 3 children.

Jamie Biggar
Vice President of Software Development

Jamie Biggar is a life-long problem solver and code monkey. He brings over a decade of experience architecting, coding, and leading teams to deliver a broad variety of software and systems.

Before joining Vitality, Biggar worked as a Senior Developer for many years at WGBH Interactive, consulted for Oxygen Media and Showtime, and helped launch scifi.com for The Sci-Fi Channel.

Biggar holds a Bachelor degree from Brown University and a Masters degree in Interactive Telecommunications from New York University, where he later taught for a number of years.

He lives in Cambridge where he enjoys running along the river and brewing his own beer.

Julia Kim
Vice President of Technical Operations

Rated by clients as delivering 100 percent for customer service, Julia Kim strives to exceed expectations every day.

Before Vitality, Kim architected service oriented architecture solutions to deliver operational efficiencies in core business areas at Circles, which provides the highest level of concierge service to some of the world's leading brands. She was recognized multiple times for her contribution to call center operational gains that, in some cases, exceeded 300 percent.

Kim has years of experience solving clinical and research healthcare issues. While at PatientKeeper, she led enterprise level product implementations to help physicians enhance patient care at large medical institutions, like Duke University Health Systems and Johns Hopkins Hospital, by providing critical patient information at the point of care. At CareGroup, she deployed an academic research management system and other web-enabled grants management tools that streamlined existing workflows for the academic research departments at Beth Israel Deaconess Medical Center.

She earned her Bachelor degree at Johns Hopkins University and a Masters degree from Harvard University.

Kim resides in Cambridge, Massachusetts where she perfects her collection of coconut-based bakery goods recipes in her free time.

Figure 8: Vitality Management Team - Page 2[29]

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[29] http://www.vitality.net/company_management.html

30

Personal Reminders

1

GlowCaps flash and play a ring-tone so you don't forget. They even call your home phone.

Social Network Support

2

GlowCaps send a weekly email update to a friend or family member that you select.

Pharmacy Coordination

3

GlowCaps order refills from your pharmacy.

Doctor Accountability

4

Each month, GlowCaps send you and your doctor a printed report with incentives if you exceed compliance goals.

Figure 9: Vitality Concept[30]

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[30] Http://www.vitality.net

6.2 Hubspot Background

HubSpot Management Team

Brian Halligan, CEO & Founder
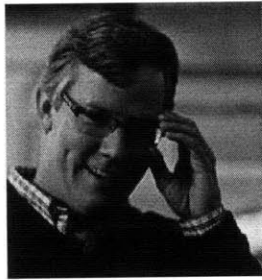
Brian Halligan is CEO & Co-Founder of HubSpot, a marketing software company he co-founded four years ago to help businesses transform the way they market their products by "getting found" on the internet. Since its founding, HubSpot has already accumulated over 2,900 customers. He is author of two books: _Inbound Marketing: Get Found Using Google, Social Media, and Blogs_, which is in its fourth printing and has been translated into 6 languages, and _Marketing Lessons From the Grateful Dead_, published in July 2010. He is also an Entrepreneur-In-Residence at MIT. In his spare time, he sits on a few boards of directors, follows his beloved Red Sox, goes to the gym, and is learning to play guitar.

Connect With Brian in Social Media:

LinkedIn Profile

Facebook Profile

Follow Brian on Twitter

Figure 10: Hubspot's Brian Halligan biography[31]

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[31] http://www.hubspot.com/company/management/brian-halligan/

HubSpot Management Team

Dharmesh Shah, Chief Technology Officer & Founder

Prior to HubSpot, Dharmesh was founder and CEO of Pyramid Digital Solutions, an enterprise software company selling to large financial services companies. Pyramid was a three time winner of the Inc. 500 award and an industry leader in providing innovative web applications available to millions of consumers. The company was acquired by SunGard Data Systems in 2005.

Prior to Pyramid Digital Solutions, Dharmesh held a number of technology management and development positions. Dharmesh also runs OnStartups.com, an online community for entrepreneurs, which is one of the top 10 most read startup blogs and receives over a thousand visitors a day. Dharmesh holds a B.S. in Computer Science from the University of Alabama and an M.S. in the Management of Technology from MIT.

Dharmesh is author of a book entitled _Inbound Marketing: Get Found Using Google, Social Media, and Blogs_, published by Wiley in October of 2009.

Connect With Dharmesh in Social Media:

- LinkedIn Profile
- Facebook Profile
- Follow Dharmesh on Twitter

Figure 11: Hubspot's Dharmesh Shah biography[32]

Figure 12: What Hubspot does[33]

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[33] http://www.hubspot.com/products/

6.3 YouCastr Background

The Partners
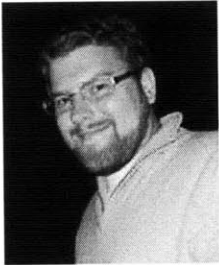
Matt Hodgson

Matt has spent the last few years involved in a wide array of technical projects ranging from web applications to race car design to electronics hardware development. His defining strength is his ability to quickly understand and contribute to new ideas and technologies.

Before Scenario4, Matt worked as a consultant for Mercator Partners, a Boston-area strategy and management consulting boutique. Hodgson holds a B.A. degree in physics from Ithaca College and both a Masters in Engineering Management and a B.E. in computer engineering from the Thayer School of Engineering and Tuck School of Business at Dartmouth College. When not hard at work, Matt enjoys sailing and snowboarding throughout New England.
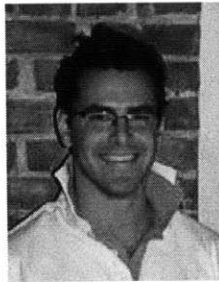
Ariel Diaz

Ariel has an engineering background, complemented with extensive experience on the business side of startups, including fundraising, marketing, business development, sales, and defining core strategies.

Ariel is also the President of the Dartmouth Entrepreneur Network of Boston, and on the Executive Committee for the Thayer School Annual Fund. He has worked as a Management Consultant for a boutique strategy consulting firm in Boston, and has an A.B., and B.E. from Dartmouth College, and a Master of Engineering Management from Thayer School of Engineering and Tuck School of Business at Dartmouth. He occasionally runs marathons and ultra-marathons, always wears his collar up, and loves all things orange.

Jeff Hebert

Jeff brings a background in strategy consulting, mechanical engineering, software development, and user interface design to the team. His strength is in spanning seamlessly across both the technical aspects of products and services as well as the high-level business objectives. Jeff's role typically includes product marketing, usability, software development, and project management.

Before Scenario4, Jeff worked as an Associate Consultant at Fletcher Spaght, Inc., a Boston-based strategy consulting and venture capital firm. Hebert holds A.B. and B.E. degrees from Dartmouth College in Mechanical Engineering, and a Masters of Engineering Management from the Thayer School of Engineering and Tuck School of Business at Dartmouth College. When not working, Jeff enjoys rock climbing, cycling, and playing the electric guitar.
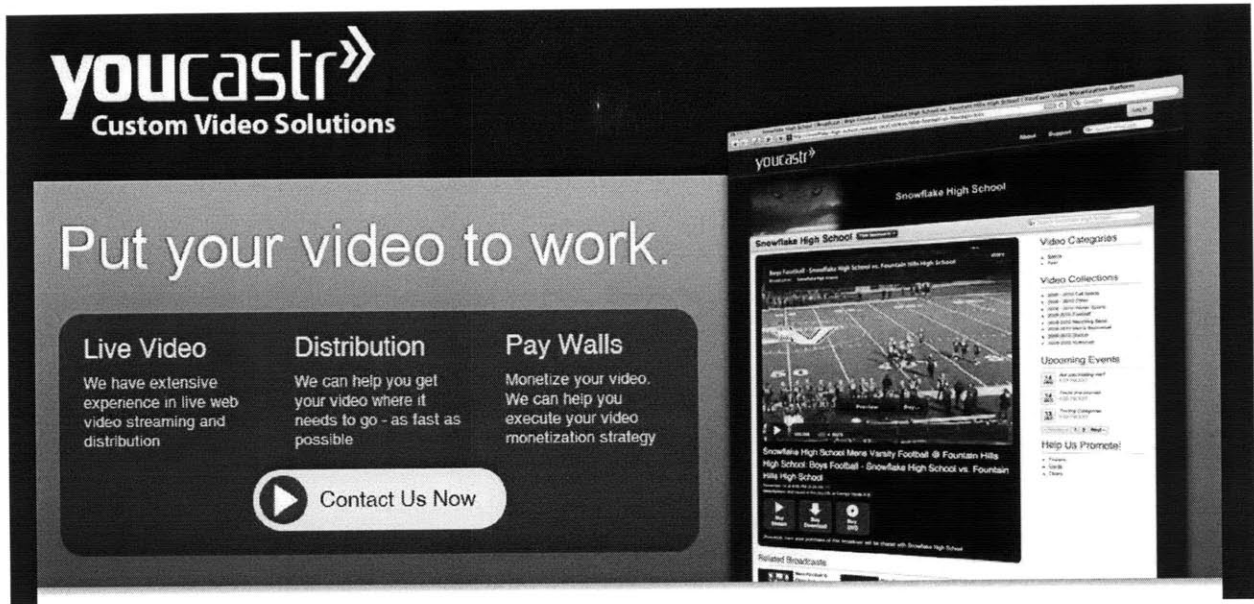
Figure 13: YouCastr founders - 3 of 4[34]

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[34] http://www.scenario4.com/team

Figure 14: YouCastr site[35]

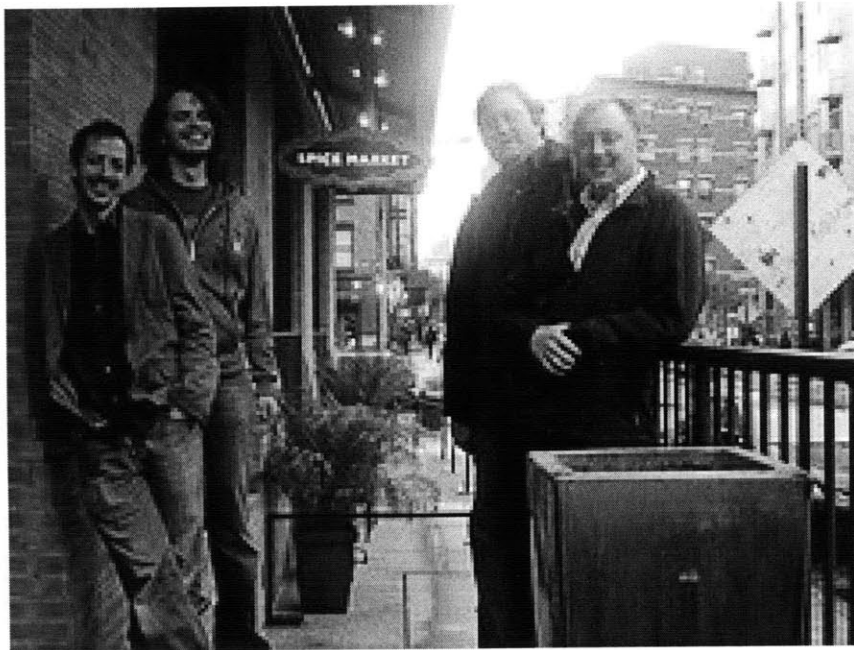[35] http://www.youcastr.com/

6.4   Conduit Labs Background

Figure 15: Conduit Labs Founders[36]

vision

Social Music Gaming

With category-defining new gameplay and relationships
with over 100k artists, Conduit Labs is building the
platform for online music gaming. We believe music should
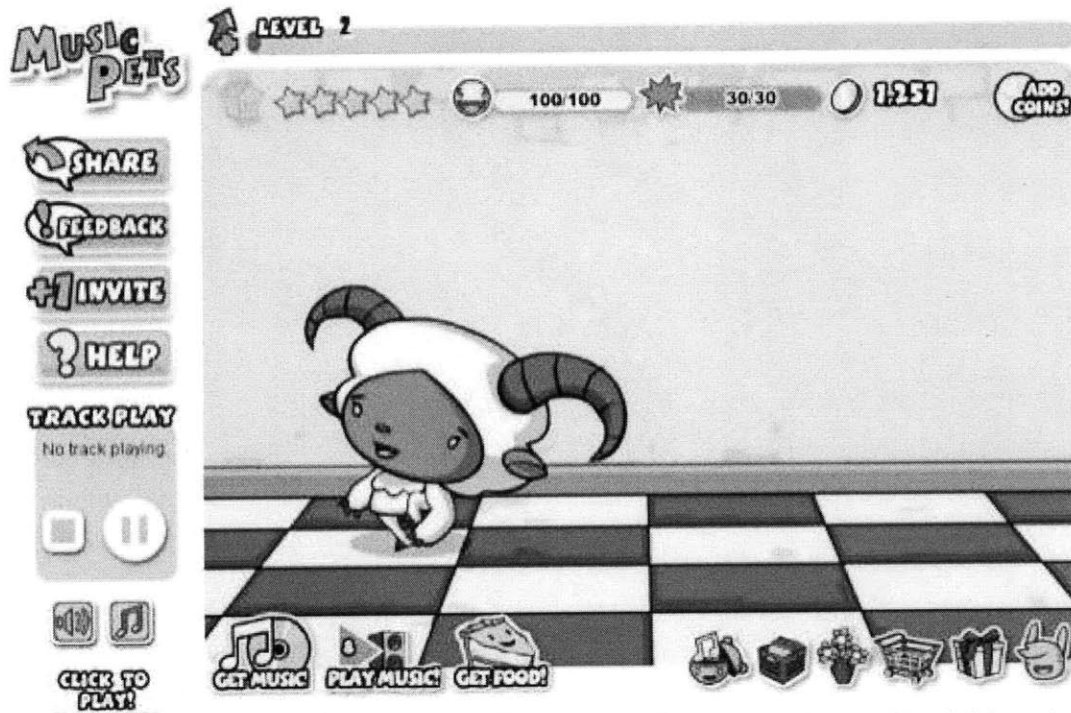be social, interactive, and fun.

explore the
Conduit
ingredients

instant   social   play

Figure 16: Conduit Labs Vision[37]

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[36] http://blog.conduitlabs.com/2007/08/21/why-we-started-conduit-labs/

[37] http://www.conduitlabs.com/

The Boston Globe

Zynga to buy Cambridge game maker Conduit Labs

Acquisition is 4th recently as it seeks supply of new titles

Conduit Labs created two Facebook games, Super Dance and Music Pets. Super Dance will be shut down, but Music Pets is continuing to operate.

By Hiawatha Bray
Globe Staff / August 18, 2010

Figure 17: Conduit Labs Acquired by Zynga[38]

38

http://www.boston.com/business/technology/articles/2010/08/18/zynga_to_buy_cambridge_game_maker_conduit_l abs/