FOR PROFESSORS AND PRINCIPAL INVESTIGATORS

Before you sign anything

Six questions to consider before your first spinout equity conversation.

Your research may be the reason a spinout is possible. You probably have little time for seminars on company formation, and that is fine. But before anyone discusses percentages, there are a few questions only you can answer. Three minutes now will save hours later.

01 What does success mean to you?

Seeing the technology used? A lasting company? Income? New research opportunities? A career for the team? Different ambitions call for different kinds of company, and it helps if yours is said out loud early.

02 What part will you really play?

Lead it, advise it, sit on the board, contribute scientifically when asked, or concentrate on your lab? What time can you realistically give, and will your department agree? Be clear about the role you want, not the one others assume you will take.

03 Who is going to build the business?

Often a postdoc, PhD researcher or external co-founder will take on the full-time job of building it. Will they have the authority, ownership and freedom to do that? Yesterday they may have reported to you; tomorrow they may need to make decisions you disagree with. Can you support that?

04 What do you want in return?

Shares are one way to recognise a contribution. You may also value recognition, influence, continuing research links or appropriate remuneration. Which really matters to you? Say so before anyone proposes a percentage.

05 Where does the university fit?

What intellectual property will the company license? What does the university expect in return? Which decisions are yours, and where do university policies or conflicts of interest apply? Ask your technology transfer team; they would rather be asked early.

06 Will this still make sense in five years?

The company may need investors, new colleagues and different leadership. Shares may vest or dilute. If your own involvement changes, would the agreement still feel fair to you, and to the people building it?

One final question: what kind of founder will you be?

You may be the most senior person in the room. The research may be yours. The people around the table may have worked for you for years. That gives you influence. How will you use it?

Your first responsibility is not to secure your own percentage. It is to help create a company in which everyone's contribution is recognised, and which has the best chance of succeeding.

So bring your founding team together before anyone starts discussing percentages. Ask what each person wants, what they are prepared to contribute, and what they need from one another. Make sure everyone has a voice, especially those who may find it difficult to challenge you. Then, together, ask:

What are we really trying to build? · Who will do the work of building it? · What roles, ownership and incentives give everyone the best chance?

Be the person who makes that conversation possible. You don't have to be the CEO to lead. Sometimes the most important leadership you can offer is giving others the confidence, authority and opportunity to build something extraordinary.

Don't start by dividing the company. Start by designing it together.

A discussion prompt, not legal or financial advice. A companion to The Cap Table Sort, from The Moonshot Factory.