Conversation

al.bsharah.com /co-founders-its-time-to-split-that-equity/

- ## Co-Founders, it's Time to Split that Equity

Every so often while talking to startups, I start to notice trends in questions that come up. Recently, one of those frequently-asked questions has been:

> ***How do we split equity between us co-founders?***

It's a very fair question to ask. Bryan and I asked the same question of ourselves when we started Embarke 3 years ago. Bryan and I had only known each other for a couple months, yet it was important to both of us to have an open and honest partnership from day one. We also knew the importance of figuring this stuff out early, while we could still look at it objectively.

The purpose of this post is to not just share with you what we did and the process we went through, but to also give you the tool we built to help us along the way.

Yes, it can be uncomfortable.
Get over it.

I've seen far too many founders put this off because it's an uncomfortable conversation. The reality is, if you're not comfortable talking about uncomfortable things with your cofounder(s)…you've got bigger problems. This relationship can't be one of secrecy or procrastination. The nature of an entrepreneur is to take something on…head on…and right now. This equity split conversation is one of the first (of very many more) uncomfortable conversations that you'll have with your cofounder, and it's a great signal for how well you'll work through future situations.

So, we started digging and found countless resources talking about how equity should and shouldn't be split among founders. The problem (with any advice) is, everyone's got an opinion. Many of those opinions of course are based on their previous experience which may or may not be related to your situation, how far along the business is, and countless other variables. So, with all of these opinions and calculators out there, how did we come to terms with it?

We used them all.
Then we built our own tool to leverage them, and dove in.

It's not about you.

It's important to realize that this isn't entirely about you. Through this process, we learned things about each other we didn't know. We learned more about each other's skill sets, our pasts, projects, accomplishments, and what we could each truly bring to the table. Sure, it's a little about you. But it's got to be about your cofounder(s) as well…so you need to have an open and receptive mind.

What was the end result for us? We were both very happy with the outcome, we learned a TON about each other that we didn't know before, and walked away from the process more comfortable about working together than ever.

Alright already. Give me the tool!

Bryan and I each took our tool and started mapping out what aspects we felt were important to our business, and what we felt we each brought to the table. We did this independently of each other over a day or two. Then, we sat down and went through everything item-by-item. That…is where the magic happens.

The spreadsheet has 5 different calculators in it, and a final box that averages everything out among all 5. Hopefully it's intuitive enough for you to use. Any questions, hit me up in the comments!

Download the Excel Spreadsheet on How to Split Equity Between Cofounders (updated 2016-01)