

URL: <https://stvp.stanford.edu/clips/how-to-split-equity>

Ali Ghodsi, CEO and co-founder of Databricks, recommends splitting equity evenly among co-founders, even though it's not what his own company did. Splitting equity based on early actions wastes time and causes conflicts, he says. It's better to focus on the future you want to create together.



Transcript

- Can you talk about equity? 00:00:03,880 Did you just split the equity evenly across all seven? Was that an issue on deciding? - I think we should have, but we didn't.. 00:00:09,900 - You think it should have been equal, but it wasn't? 00:00:12,333 - Yeah, I think it ends up being a lot of like, 00:00:16,200 "Oh, but then I did this, and how much have you done? And like, you know, but I did a little bit more here and so on." Ignoring that, look, why are we doing this together? We're doing this together, because we think we're gonna create something amazing in front of us.. And when we create that amazing thing in front of us, like 99% of the effort is in front of us, not behind us.. But we're focused on this 1% that we did already or haven't even done.. Or like, you know, whatever you're looking at, how famous are you? Like, you know, "Oh, they know you," or "You're like, older," or "You have like, you know," or "You put in a little bit more capital." But all that's gonna matter is what do we do over the next 10 years together? So, you know, it's complicated.. We obviously are an example of a company that didn't do "Let's split it." - You didn't do it equally.. It was sort of based on this- 00:00:53,550 - We didn't do it equally, and it ended up being 00:00:56,640 a super weird heuristic negotiation that people do.. And you see founding teams like bombing out and not starting their endeavor or splitting off just because of these kind of conversations that they have.. I've seen many, many.. I've advised many, many people that are like, "Oh, you know, that's unacceptable..

I can't believe that he's gonna have 5% of me." You know, and then it doesn't work out.. But usually those discussions of how much should you get, how much should I get, they end up being completely wrong because they're all gonna be, what are we gonna do together next five, 10 years? And that's unpredictable.. We don't know what's gonna happen.. And I also think people waste time and they end up on a bad footing together.. Like, you know, it's like, "I have bad feeling.. Okay, we'll do this together, but I'm really off that you got like, more than me." You know? So, that's lingering always in the back of our head.. And it's gonna pop up when we get into conflict.. It's like, "Oh, is this, are you saying that now because you have more shares than me?" And so on.. So I prefer not to have that..