



## Venture creation: a new form of entrepreneurship?

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**Fabian Hansmann** (MBA '06D) has taken a novel approach to entrepreneurship. His organisation, FoundersLink, fulfils the core entrepreneurial functions of identifying opportunities and building a team, a process normally done by the entrepreneur. But then it matches business ideas and opportunities with aspiring entrepreneurs, and also tries to raise funding.

“We bring the concept and then we find entrepreneurs to start up and run the business,” says Hansmann. “In other words, we make the ‘Big Bang’ happen. After this magic moment, an incubator could come into the picture and a venture capitalist after that.”

Hansmann describes this concept as ‘venture creation,’ a term (as far as he knows) no one else has ever used in this context.

FoundersLink differentiates itself in two ways: by being an institutional co-founder and by taking only equity in the new companies. It is only able to generate income by selling shares or by getting dividends.

“That means we are only successful if the entrepreneur is successful,” argues Hansmann. “Normal consultants get paid for their services and

venture capitalists get a management fee in addition to their carry (from the exit proceeds) from their limited partners. FoundersLink can only make money if the price of the stock goes up.”

### **Business acumen in his blood**

As a young boy growing up in Frankfurt, Hansmann didn’t know what he wanted to be when he grew up. At the tender age of 12, he started developing software. The next logical step was to bring the software to the market and that’s how he started his first company together with a school friend.

The company produced file management software, the Universal File Operator that was comparable to Norton Commander. “The company was tiny but always profitable,” Hansmann recalls with amusement. However, he says his first ‘real’ company was Steganos which he set up when he was 16 years old. The inspiration for the security product of the same name came from a hacker conference he attended in Berlin in late 1994.

Hansmann managed the company until 2005 when he went off to get an MBA. Since he was “too busy working to go to school in the early years,” he never got a first degree and is thought to be only one of ten participants to be admitted into INSEAD without

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one.

He had been developing the venture creation concept in his mind for a while when, by pure chance in 2007, he met Oliver Beste, the entrepreneur who started myToys.de and made it the leading internet retailer for children's products in Germany with growth rates of more than 40 per cent. Beste liked Hansmann's venture creation concept so much that he left the company he had started and they co-founded FoundersLink the same year. There was synergy in that partnership because Hansmann had a good network in the software industry and Beste, in the internet arena.

### The process

What FoundersLink does is very simple and no one has done it before, says Hansmann. "We look for business concepts by scouring the net for trends, and we look for potential entrepreneurs – people who are either stuck in their current situation doing the same thing, or their company has gone bankrupt, or those who have just come out of business school and don't want to work for McKinsey. We simply bring talent and ideas together."

"We create the business plan for our start-ups, incorporate the company and build the organisation by headhunting people who can run the company, substituting us as managing directors," he explains. "We give the co-founders a stake in the company. For example, for two co-founders, each get 25 per cent and FoundersLink keeps 50 per cent to finance its venture creation business, which by definition is cash flow negative until the day of a successful exit after a few years."

Then FoundersLink supports the entrepreneurs by helping to attract funding from venture capitalists so that the entrepreneurs can concentrate on managing the company.

### Fine-tuning the process

As FoundersLink comes up with the ideas, the selected entrepreneurial candidates sign a non-compete agreement when they enter negotiations. Then they sign a contract and the entrepreneur is required to work for the company for four years "as it usually takes that amount of time for a start-up to be successful enough to have an exit."

Initially, Hansmann worked with less experienced people because he thought more experienced people would not be enticed by just a concept rather than a thriving business.

"But now we've found that if we can show people in the same industry that we have the next big thing in

that industry and really get them excited, then there are people who are willing to join us," he says. Hansmann and Beste's track record for obtaining funding also fosters trust with the potential entrepreneur.

### Generating income

The FoundersLink experience has been that it takes about six months to go from the concept stage to where the company is set up and they have the management team in place. From that point to generating revenue and serious funding takes another six months. At that stage, Hansmann and Beste still invest a lot of time in the new company "but it's running and generating revenue."

After several rounds of small financing for their companies, they have just closed a deal with Bertelsman, Germany's biggest media company, for their first company, Deal United, with RatePay, their second company, just receiving financing from the Otto group, which is the biggest mail order company in the world.

"Hopefully one day we won't need seed financing any more but right now, as our companies are high-growth internet companies, we are burning a lot of money and it will take some years before we are profitable," says Hansmann.

### The dream

As this is a new market, competition is not fierce, says Hansmann. While companies like Rocket Internet or Team Europe Ventures could be seen as competitors, he feels that there is enough space for several firms.

"FoundersLink is pretty much my dream company," says Hansmann. "It gives me the opportunity to be more entrepreneurial as a venture capitalist and, at the same time, I am not stuck with the same market for 10 years like a 'normal' entrepreneur or serial entrepreneur."

Their vision is to bring the FoundersLink concept to other countries, get more specialists on-board and make their business model more scalable.

Hansmann's first real company, 'Steganos', recently experienced financial difficulties. So he bought it back with his Steganos co-founder Gabriel Yoran. Chuckling, he says, "that's really sweet for me. Now I have to resist the temptation to tinker in the development of the products, which is my first love."

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