

START-UP SUCCESS AND CO-FOUNDER DYNAMICS



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- In a study, it was found that start-up success relies not only on co-founders' diverse experiences but also on co-founders having shared industry knowledge.
- Start-ups with two or three founders are considered to have higher success rates.
- 70% of top 10 fintech start-ups in India have not more than three founders.

Entrepreneurship is a lonely journey and having the right co-founder(s) can enhance the quality of an entrepreneur's journey. Investors prefer start-ups with two or three co-founders. Start-ups with multiple founders were also perceived to have lower survival risks. A research paper titled **Joining Forces: How Can Founding Members' Prior Experience**

Variety and Shared Experience Increase Start-up Survival?, published in the **Academy of Management Journal** in 2022¹, explored how founders' experiences impact start-up survival. This study focused on two key aspects: diversity in experiences and shared industry-specific experiences among founders.

Highlights of the study:

1. It suggests that while diverse experiences among founders bring innovation, an excess of such diversity can increase the likelihood of start-up failure. To achieve optimal performance, it is important to strike a balance between diverse experience and shared industry knowledge.
2. This study highlights the positive influence of founders with industry-specific experience, especially when sharing their knowledge and routines. Start-ups benefit significantly when founders with varied work experience come together, reducing the risk of failure and increasing their chances of success.
3. This study utilises data from the US Census Bureau's LEHD dataset, focusing on technology manufacturing start-ups in 18 states from 2000 to 2006. This study involved 6,000 start-ups and 31,000 observations. These findings underline the significance of maintaining a balance between diverse experiences and shared industry knowledge for start-up success.
4. This study sheds light on the benefits of spinout start-ups created by employees, who leave established companies in the same industry. These start-ups benefit significantly from the industry knowledge and routines transferred from their parent companies. Collaboration, especially among colleagues with shared experiences, boosts the chances of success. Combining founders with varied experience and shared histories significantly reduces the risk of failure.
5. Having one founder with varied experiences and two years of shared experience reduces failure risk by 9%. Similarly, start-ups with two founders with varied experiences and four years of shared experience decrease the chance of failure by 36%. This emphasizes the significance of diverse experiences and shared histories of start-up success. Additionally, start-ups with founders who shared experience from working together exhibited a lower failure rate, with a 4.8% decrease in each additional year of shared experience.

In short, success is found in start-ups with a balanced mix of shared and diverse backgrounds.



¹ Honore, Florence (2022). Joining Forces: How Can Founding Members' Prior Experience Variety and Shared Experience Increase Start-up Survival? *Academy of Management Journal*, Vol. 65, No. 1, 248–272.

IMPLICATIONS IN THE INDIAN START-UP LANDSCAPE

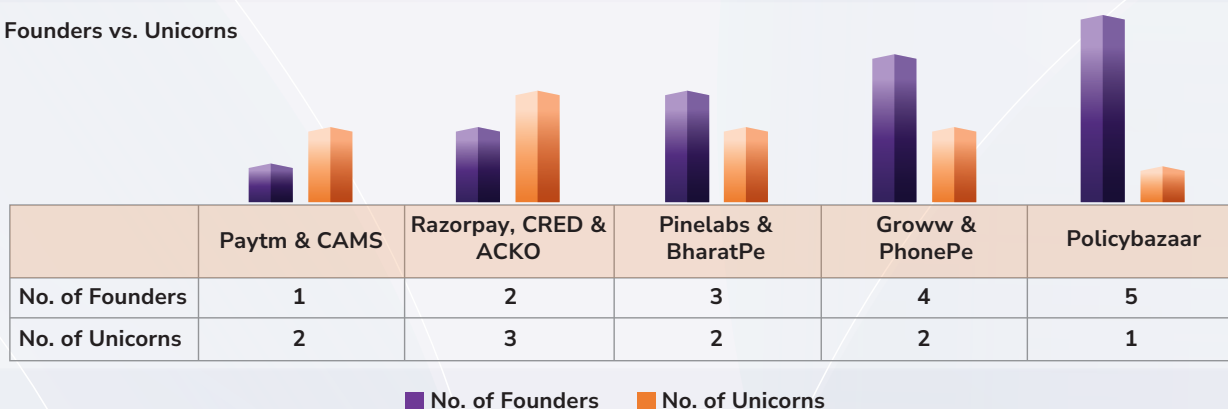
According to a recent article published in Entrepreneur India, start-ups with two or three founders are more than twice as likely to succeed as those with only one founder. Moreover, start-ups with diverse founder experiences have eight to ten times higher chances of success than organisations with a single founder. Having multiple co-founders in a start-up is similar to having a team of problem solvers². Each founder brings unique viewpoints and experiences that contribute to better decision-making and problem-solving.

As a start-up grows, the value of having multiple co-founders becomes even more evident. With increased work and activities, co-founders can handle different projects based on their market experience, even if these are not their main areas of

expertise. This flexibility allows specialised experts to be hired, ensuring smoother scaling of the start-up.

India's most promising start-up success stories reveal a striking trend. Since 2005, 80% of unicorn start-ups have featured two or three founders, significantly increasing their chances of success³. Co-founders not only offer emotional backing but also share the burdens and bring the essential complementary skills necessary for navigating the complexities of the start-up journey. Living alone may be fast but may also raise questions from investors. Teaming up has challenges, yet it is more satisfying to celebrate victories together despite leadership hurdles (Figure 1).

Figure 1: Founders vs. Unicorns



Source: Tracxn Database

If you choose the top 10 fintech start-ups with the highest Tracxn scores from the Tracxn Database, the co-founders will show diverse and shared experiences across all 10 start-ups. Alternately, an

analysis of the 10 fintech start-ups with the lowest Tracxn scores revealed that 60% were helmed by the sole founder (Table 1).

Table 1: Founders with Tracxn Score

SL. No.	Start-up	No. of Founders	Tracxn Score
1	Paytm	1	86
2	CAMS	1	81
3	Razorpay	2	83
4	CRED	2	87
5	ACKO	2	86
6	Pine labs	3	86
7	BharatPe	3	78
8	PhonePe	4	85
9	Groww	4	83
10	Policybazaar	5	82

SL. No.	Start-up	No. of Founders	Tracxn Score
1	Bankvallet	1	20
2	CapAnalec	1	20
3	Wealthy Nivesh	1	20
4	Indipaisa	1	20
5	SenSage	1	20
6	RAR Fincare	1	20
7	Minttr	2	20
8	Paycardo	2	20
9	RankTech Solutions	2	20
10	HappyNity	3	20

Note: Retrieved on 2nd January 2024 at 11 am.

² Entrepreneur India (2016). The More, The Merrier: Rise of Multiple Co-founders In Startups

³ The Times of India (2022). Why is it crucial to have a co-founder

Conclusion



Start-ups with multiple founders and a combination of varied and shared experiences bring innovation, reduce failure risks, and increase chances of survival. **The key is to not only have diversity in experiences but also shared experiences of working together in the past.** By harnessing

diverse experiences and encouraging knowledge-sharing, start-ups can leverage their founders' unique perspectives and skills to overcome challenges, make informed decisions, and ultimately achieve success in competitive start-up ecosystems.

REFERENCES

1. Honore, Florence (2022). Joining Forces: How Can Founding Members' Prior Experience Variety and Shared Experience Increase Start-up Survival? *Academy of Management Journal*, Vol. 65, No. 1, 248–272.
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