Leaders' Lens

In conversation with

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From your extensive experience as a start-up CXO and ecosystem enabler, how do you see the influence of co-founders' backgrounds shaping a start-up's trajectory?

Varun: In my opinion, the background of a co-founder definitely shapes their perspective, significantly influencing the start-up's trajectory. For instance, if a co-founder has a track record of successful fundraising, they often carry that confidence into a new venture. Conversely, a co-founder who faced challenges in raising funds before might approach the new venture with more caution. However, this isn't always an advantage. The previous struggles of a co-founder might have been sector specific. This time, they could be operating in a more promising and fundable sector. On the flip side, timidity from past experiences might hinder the co-founder's potential in the current venture. In essence, co-founders' backgrounds create a bias through which they perceive future events. While this can be beneficial, as old patterns may repeat themselves, there's an equal likelihood that these experiences may bias decision-making in potentially limiting ways. This is where the value of having co-founders truly lies. The presence of a co-founder allows for the identification and calling out of biases. The diversity in their experiences becomes a vital counter-balance, helping to offset any potential biases that one co-founder might carry into the decision-making process.

This research emphasizes the importance of diverse experiences and shared knowledge among co-founders. Given your extensive experience in Silicon Valley, how do you view this research from a real-world perspective?

Varun: The research emphasizes a balance between diversity and shared knowledge in co-founder dynamics. It's a mix where each co-founder brings something unique to the table, but there also needs to be a foundational level of shared knowledge. I think this is pretty common. For example, for a new product to do well, it needs to have some elements of familiarity and some elements of novelty.

Sufficient common ground is crucial to avoid

miscommunication, yet diversity of experiences is equally vital to bring fresh perspectives. For instance, a start-up founded exclusively by colleagues with five to eight years of shared experience may lack the diversity needed for innovation. On the other hand, assembling a team of complete strangers, despite their potential for diversity, can pose challenges if there's no shared experience, be it cultural, social, or company-specific. Striking the right balance becomes pivotal in team creation. I've encountered this challenge in one of my start-ups where the founders, with diverse backgrounds, reached a point where the diversity, spanning technical, industry, and cultural aspects, became a source of stress rather than an asset. It highlights the delicate nature of achieving the ideal mix in co-founder dynamics.

On the above aspect, the research highlights that diverse experiences without shared experience are likely to lead to higher failure rates (possibly owing to conflicts). Have you experienced this first hand and if so could you share your insights?

Varun: Yes, my answer to the previous question was basically about this. I personally experienced failure in that start-up where we ended up with a conflict between the founding team that had almost identical experiences. All three members had previously worked for the same successful company, sharing an identical set of experiences. In contrast, I brought in diversity with a markedly different background, resulting in minimal shared experiences with the existing team. This lack of common ground extended beyond professional experiences to cultural familiarity. The three gentlemen on the team were all distinctly French, and even the Swiss member shared cultural similarities. This not only created a significant disparity in industry backgrounds but also in our worldview. This experience serves as a good example where diversity, without any underlying commonality, became a catalyst for failure. In this specific instance, the culmination of industry differences, diverse backgrounds, and cultural disparities led to a situation where some of the co-founders decided to leave the company. This strategic decision was aimed at mitigating the conflict within the joint management team, allowing the rest of the company to progress without the hindrance of internal conflicts.

If co-founders share a similar background, do you think it might hinder innovation due to a lack of diversity in ideation?

Varun: Certainly, I think a similar background can result in a lack of creativity. I've encountered a similar challenge in another start-up where the co-founder and I shared a considerable number of experiences. While there was some diversity in our backgrounds, the similarities between us outweighed those differences. It became apparent that when faced with challenges, our responses tended to be very similar. While there wasn't any conflict, I did feel disappointed at times. Despite both being smart individuals, the shared perspectives often led us to reinforce each other's opinions, hindering out-of-the-box ideas. Hence, there is great value in diversity but as mentioned in the previous example, it is the fine balance between diversity and shared experiences that is difficult to get right.

What is the most significant setback you've faced in your start-up journey, and how did you overcome it?

Varun: I have shared my experiences with two start-ups. In one, the struggle stemmed from a lack of commonality and in another, an excess of commonality presented its own set of obstacles. The outcomes in these situations, one, with excess of commonality, ending reasonably well and the other not as much, underscore the pivotal importance of assembling the right founding team. The lesson gleaned from these experiences is clear- the composition of the founding team is a critical factor in a start-up's success. In the subsequent start-up, which I was in the process of working on before transitioning to my role at SPJIMR, deliberate efforts were made to create a founding team with a balanced blend of shared experiences and diversity. Perhaps, had I stayed with that start-up, it could have evolved into a shining success story.

What advice would you give to aspiring start-up founders and co-founders?

Varun: The initial instinct of the aspiring start-up founders and co-founders is to work with friends and minimize conflicts. I think that's fine. However, the key lies in choosing friends who bring different professional experiences to the table. Having friends with diverse professional trajectories can enrich the start-up journey. Forming a founding team with friends who share almost identical professional and industry trajectories might impose limitations. It's a delicate balance where diversity of experiences among friends can be a strength. On the other hand, it's equally important not to be overly enticed by complete strangers who, on paper, seem to possess all the experiences you lack. While their expertise may be attractive, there needs to be a binding factor, be it intellectual, emotional, or social, to ensure a solid foundation for collaboration. My advice would be to ensure the importance of finding a common spot, diversity brings attraction, and commonality serves as the glue holding the partnership together. This balance is crucial for the success of the start-up journey and the dynamics within the founding team.