



Master Thesis

***Cofounder Matchmaking: What Makes a Good Cofounder and Where to Find One***

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### **Declaration of Work Integrity**

This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document, I confirm and agree that I have read Reykjavik University's ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

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### **Abstract**

The literature reviewed for this thesis suggests that having a cofounder when launching a startup is crucial for the success of the startup. Furthermore, studies show that 65% of startups fail due to interpersonal tension between cofounders. This leads to the conclusion that more care should be given when trying to find a suitable cofounder, and the question arises how a fitting cofounder is found. This thesis deals with the topics of what makes a good cofounder, where a suitable cofounder can be found, and what causes interpersonal tension within the cofounding team. A mixed-methods approach is used to answer these research questions. Results confirm the hypothesis that a cofounder is crucial when founding a startup, as well as show that complementary skill sets and clear role assignment not only facilitate cohesion within the founding team, but also help the venture become successful. It was also found that character is regarded as more important than skill, and that cofounders' personalities play an important role within the team. Furthermore, it was found that homogeneity within the team promotes positive team dynamics and cohesiveness, hence reducing possible tension between cofounders.

**Keywords:** startups, innovation management, cofounder matchmaking, cofounder tension, team dynamics, team cohesiveness

**Table of Contents**

**1. INTRODUCTION..... 8**

1.1 BACKGROUND, CONTEXT, AND RELEVANCE..... 8

1.2 RESEARCH QUESTION..... 9

**2. LITERATURE REVIEW..... 10**

2.1 STARTUPS..... 10

    2.1.1 Benchmarks & Hard Numbers ..... 10

    2.1.2 Innovation as a Definition ..... 12

    2.1.3 Characteristics of a Startup..... 14

    2.1.5 Startups: a special environment..... 15

    2.1.6 Entrepreneurial Teams ..... 16

2.2 TEAM DYNAMICS ..... 18

    2.2.1 Who is a Founder? ..... 18

    2.2.2 Team Dynamics ..... 19

    2.2.3 The Importance of Having a Cofounder..... 20

    2.2.4 What to Look for in a (Co)Founder..... 24

    2.2.5 Cofounder Tension ..... 26

2.3 WHERE TO FIND A COFOUNDER: SETTINGS..... 28

**3. METHODOLOGY..... 33**

3.1 RESEARCH METHODOLOGY & DESIGN..... 33

3.2 RESEARCH PROCESS..... 35

3.3 DATA ANALYSIS..... 40

3.4 PRACTICAL AND ETHICAL CONSIDERATIONS ..... 41

**4. FINDINGS ..... 42**

4.1 QUALITATIVE RESEARCH ..... 42

    4.1.1 What makes a good cofounder?..... 42

    4.1.2 Where to find a cofounder? ..... 45

    4.1.3 What causes cofounder tension? ..... 46

    4.1.4 Summary ..... 47

4.2 QUANTITATIVE RESEARCH..... 48

    4.2.1 Demographics..... 48

    4.2.2 What makes a good cofounder?..... 48

    4.2.3 Where to find a cofounder? ..... 49

    4.2.4 What causes cofounder tension? ..... 51

4.3 HYPOTHESIS TESTING ..... 51

    4.3.1 Hypothesis 1 ..... 52

    4.3.2 Hypothesis 2 ..... 52

    4.4.3 Hypothesis 3 ..... 53

# How to Find a Cofounder

<b>5. DISCUSSION .....</b>	<b>54</b>
5.1 WHAT MAKES A GOOD COFOUNDER?.....	54
5.1.1 <i>The Importance of Having a Cofounder</i> .....	54
5.1.2 <i>Skills and Qualities a Cofounder Should Possess</i> .....	55
5.1.3 <i>Team vs Idea</i> .....	56
5.2 WHERE TO FIND A COFOUNDER?.....	57
5.2.1 <i>University</i> .....	57
5.2.2 <i>Personal Network</i> .....	58
5.2.3 <i>Other Recommended Settings</i> .....	59
5.2.4 <i>Settings that are not Recommended</i> .....	59
5.2.5 <i>Offline vs Online Settings</i> .....	60
5.3 WHAT CAUSES INTERPERSONAL TENSION BETWEEN COFOUNDERS? .....	60
<b>6. CONCLUSION.....</b>	<b>62</b>
<b>APPENDIX A .....</b>	<b>65</b>
INTERVIEW GUIDE: ORAL .....	65
<b>APPENDIX B.....</b>	<b>66</b>
INTERVIEW GUIDE: WRITTEN.....	66
<b>APPENDIX C .....</b>	<b>67</b>
ONLINE SURVEY.....	67
<b>LIST OF REFERENCES .....</b>	<b>72</b>

**List of Tables and Figures**

Table 1 Effects of homogeneity within the founding team..... 20

Table 2 Characteristics of entrepreneurs ..... 24

Table 3 Techniques and procedures based on the “research onion”..... 33

Table 4 List of interview partners ..... 38

Table 5 Overview of themes ..... 42

Table 6 Ranking of settings according to survey results ..... 51

  

Figure 1: Seven stages of an interview investigation ..... 35

## 1. Introduction

### 1.1 Background, Context, and Relevance

According to *Y Combinator*<sup>1</sup> cofounder Paul Graham, the number one cause of early startup death is tension between cofounders (2006). Another statistic shows that 65% of startups fail because of interpersonal tension between cofounders (Wasserman, 2012). This highlights the importance of having a suitable cofounder in order to launch a successful startup. The question arises where, in which settings, suitable cofounders can be found, what skills and characteristics an ideal cofounder should possess, and what these tensions are caused by in order to know how to bypass them. Throughout the researcher's studies in Innovation Management, several hypothetical startups were created. One aspect that particularly struck the researcher when working on these startups is the formation of cofounding teams, how cofounders interacted, how tasks were distributed, and how tension was resolved.

While the importance of having a cofounder to run a successful startup is highlighted by entrepreneurs and investors alike (McConville, 2017; Hughes, 2017; Hodak, 4 Advantages to Starting Up With a Co-Founder, n.d.; Zwilling, 2015), a statistic published by Wasserman (2012) shows that 65% of startups fail because of cofounder tension. With cofounder matchmaking platforms such as *CoFoundersLab* gaining popularity among entrepreneurs to network and find possible cofounders to launch a startup, it becomes noticeable that entrepreneurs have turned to an online setting to find a cofounder. However, no research has been conducted regarding which settings work best to find a cofounder, whether that is online or offline. This Master thesis aims to identify settings in which a fitting cofounder can be found, skills and characteristics that make a cofounder a suitable part of the founding team, as well as what interpersonal tension between cofounders is caused by.

This thesis is particularly relevant to entrepreneurs who wish to embark on the journey of building a startup and are looking for a cofounder. It is crucial for them to maximize their chances of launching a successful startup by finding a suitable cofounder and eliminating risks such as tension between team members.

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<sup>1</sup> Y Combinator is a venture capital company, offering seed money to startups (Y Combinator, 2020).

### 1.2 Research Question

“How do you Find a Cofounder?” is the overarching question that will be examined in this thesis. To answer the research question, the following three sub-questions were formulated:

*What makes a good cofounder?*

The first research question aims to identify skills and qualities that make a good cofounder and that core founders should be looking for in a cofounder. Furthermore, team dynamics will be explored as well as the impact of personality on an entrepreneurial team.

*In what settings can potential cofounders for launching a startup be found?*

The second research question looks at potential settings in which cofounders can be met. It will furthermore explore the difference between online and offline settings and what effect different relationships can have on the interaction within the founding team.

*What causes cofounder tension?*

The third and final research question aims to identify factors that cause interpersonal tension between cofounders. It explores team cohesiveness and what should be avoided in order to have positive team chemistry.

To answer the above-stated research questions, relevant background knowledge was established using secondary research, followed by the formulation of hypotheses. Primary research was conducted in the form of interviews and an online survey. This data was then used for statistical testing of the previously formulated hypotheses, as well as for discussing primary research in relation to secondary research and finally answering the research question.

## 2. Literature Review

The following subchapters provide the critically reviewed theoretical background of this thesis on the topics of startups, founders, and settings. It provides insights into the startup sector, as well as on topics such as the entrepreneurial team, team dynamics, the importance of having a cofounder, characteristics of founders, tension within the founding team, and provides a descriptive analysis of settings mentioned in regard to finding a cofounder.

### 2.1 Startups

Firstly, literature on the topic of startups will be discussed in order to provide the reader with a definition of what a startup is, where the difference to a small business lies, and why it can be considered a special environment to work in.

Prior to the 1970s, the term *startup* mostly “described the early stages of any firm’s activity in general terms” (Cockayne, 2019, p. 80). Modern usage of the term surfaced in the 1980s. *Google Ngram*<sup>2</sup> shows that the use of the word rose in the 1970s and 1980s. In that time, the term *startup* mostly “[correlated] with terms associated with technological economies” (Cockayne, 2019, p. 80). This can also be observed in Cooper and Bruno’s (2000) journal article originally published in 1977, where the wording of “high-technology firms” is used rather than the term startup.

There are countless ways to explicate what a startup is, and definitions range from technical to philosophical. Up to this date, however, academic literature lacks a clear technical definition and only discusses benchmarks such as size of the firm, current stage of the startup, and growth factor to some extent. Definitions found are rather inconsistent and sometimes contradicting. The following chapter outlines different views and opinions on the general topic of startups in order to give the reader the context requisite for this research paper.

#### 2.1.1 Benchmarks & Hard Numbers

When it comes to defining what a startup is, many founders do so by setting benchmarks and hard numbers. However, the point of reference varies, and it is crucial to take the type

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<sup>2</sup> *Google Ngram* is a text mining tool used by researchers to assess cultural trends of a specific period of time based on Google’s online book collection (University of London, 2020).

## How to Find a Cofounder

of industry into consideration. For example, Cockayne (2019) argues that “size of firm is important in determining whether a firm is a startup or not” (p. 81), but also states that it is not specified where to draw the line. While one founder draws the line at ten employees, others state that a startup should have no more than 100 employees (McGowan, 2018). *Y-Combinator* cofounder Paul Graham settles closer to the latter benchmark by arguing that a startup “graduates” from being a startup when there are more than 80 employees in the company (Robehmed, 2013). Similarly, people interviewed for Cockayne’s study (2019) draw the line anywhere between ten and 50 employees, while generally showing a tendency towards startups being small in size.

Furthermore, the factor “size” can be determined by revenue (Cockayne, 2019; Robehmed, 2013). When asked to define a startup, Graham states that it is a company that has less than \$20 million in revenue per year. According to him, once a startup is profitable, it starts moving away from being a startup (Robehmed, 2013), which is also argued by Zook (2002). Similarly, a startup is no longer a startup when it becomes sustainable and is making more money than it needs to operate (McGowan, 2018). However, benchmarks vary as one founder draws the line at \$250,000 (McGowan, 2018), which is much lower than the one set by Graham.

Another definition that appears in literature is centered around capital. It states that startups are about seeking venture capital, with the ultimate goal being to reach some sort of exit event, such as an acquisition or Initial Public Offering (Marwick, 2013). Raising equity is often associated with “success and prestige” and entrepreneurs tend to talk about their startups in terms of how much money they have raised. Cockayne (2019) argues that this definition is limiting the inclusion of startups that have not raised any equity but are still successful. Furthermore, the author states that financial definitions of startups are most closely linked to failure, because only a small number of startups will “generate significant growth and substantial returns” (Cockayne, p. 83).

*Y-Combinator* cofounder Graham furthermore suggests that the key aspect that defines a startup is growth: “a startup is a company that is designed to grow fast” (Graham, Startup = Growth, 2012). Growth is dependent on developing a product that is able to serve a big market. While there is no clear threshold as to how fast a company has to grow to be a startup (Cockayne, 2019), Graham explains that the phases of growth usually form an S-curve, with initial growth being slow and later stage growth being rather rapid. Once growth levels out, a successful startup will become a big company

(Graham, Startup = Growth, 2012). According to ISED Canada (2018), startups are firms that have a growth rate of 20% over three years, with growth being measured in either number of employees or revenue. A limitation of growth-based definitions is that they do not account for smaller startups that do not yet have a product/service and therefore no revenue, and rather focus on those backed by venture financing. Furthermore, there seems to be a contradiction when looking at the colligation of startups as being both high-growth and without a product that is viable (Cockayne, 2019).

Startups usually operate under a specific time horizon (Zook, 2002) and duration of operation is another measure mentioned across literature. When defining a startup using age, Graham argues that a company can be five years old and still be a startup (Robehmed, 2013), while a founder interviewed by McGowan (2018) states that it has to be less than two years old to qualify as one. However, it should also be taken into consideration that only one in ten startups survives until year five (Winter, 2017) and that startups usually do not become profitable until year three (Hecht, 2017). Two founders interviewed in McGowan's (2018) article state that a startup is a "new" company, suggesting an age of five years or younger. ISED Canada<sup>3</sup>, on the other hand, defines a startup as a firm that has been operating for two years or less (ISED Canada, 2018). It is also argued that the starting point is often difficult to define and the age measure therefore "capacious and vague" (Cockayne, 2019, p. 82).

Other factors that play into account when determining whether a business is still a startup are whether the company has been acquired and the number of offices it operates. Various authors (Hecht, 2017; McGowan, 2018; Robehmed, 2013; Winter, 2017) state that a company is no longer a startup once it has been acquired by a large company, and no founders seem to argue the opposite. Additionally, it is argued that startups only have one office (Robehmed, 2013).

### *2.1.2 Innovation as a Definition*

A strong link between innovation and startups can be observed in literature. The goal of a startup is to do something entirely new and fill a gap in the market (McGowan, 2018). This definition is met with agreement by other founders such as Eric Ries: "a startup is a human institution designed to create a new product or service under conditions of extreme uncertainty" (Robehmed, 2013); Paul Graham: "startups create new ways of doing

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<sup>3</sup> Innovation, Science, and Economic Development Canada

things” (Graham, Startup = Growth, 2012); and Neil Blumenthal: “a startup is a company working to solve a problem where the solution is not obvious and the success is not guaranteed” (Robehmed, 2013).

Innovation “refers to the creation of a new product, process, or service that an organization has created for the market” (Shepherd & Patzelt, 2017, p. 103). Throughout the process of innovation, new knowledge is obtained, distributed, and finally implemented (Calantone, Cavusgil, & Zhao, 2002). Similarly, literature states that startups are a new and improved kind of work (Marwick, 2013) and it is argued that high-technology firms are about opening up new fields, high levels of innovation, and matching market needs with new technologies (Bruno & Cooper, 2000). Similarly, Peter Thiel argues that the biggest strength of a startup is that it follows a new way of thinking and that new technology often emerges from startups (Thiel, 2014).

It becomes apparent that technology, growth, and innovation are closely interconnected. Technical innovation is the most important factor that makes a startup successful (Thiel, 2014). Agreement can be found in Cooper and Bruno’s (2000) journal article, which states that “few businesses carry such promise as new, high-technology firms” (p. 1183). Technological innovation brings a competitive advantage to firms, (Adams & Bessant, 2006; Coccia, 2017; Calantone, Cavusgil, & Zhao, 2002) which is achieved through both radical<sup>4</sup> and incremental<sup>5</sup> innovations (Coccia, 2017; Adams & Bessant, 2006).

Finally, it is argued that startups often fall into siloes when they grow because they become too big to be managed by one team. This leads to the consequence that departments barely get into contact with each other (Hammond, Gross, & Wesson, 2002; Ries, 2017), which is to be avoided in order to encourage innovation (Hammond, Gross, & Wesson, 2002; Nohria, 2005; Calantone, Cavusgil, & Zhao, 2002). For a business to become increasingly customer centered and break down siloes, information needs to be able to flow freely between employees in a large organization. Ensuring access to all information helps employees focus on the higher-level goals of the business, while still

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<sup>4</sup> *Radical innovation*, also called disruptive innovation, has a notable effect on the industry and is characterized by a complex development process. Radical innovation is often introduced by startups (OECD & World Bank Group, 2020).

<sup>5</sup> *Incremental innovation* is the most common form of innovation and usually entails small changes such as refinements, improvements, or modifications to an existent product (OECD & World Bank Group, 2020).

working in a detailed manner (Hammond, Gross, & Wesson, 2002): “intraorganizational knowledge sharing is necessary to prevent the loss of information” (Calantone, Cavusgil, & Zhao, 2002, p. 517) and hence encourages innovation within the company.

### *2.1.3 Characteristics of a Startup*

Besides the previously discussed benchmarks that can help define what a startup is, there are also philosophical aspects and characteristics that should be taken into consideration when examining a startup.

The nature of startups is characterized by the fact that they are risky, fast-paced (Hecht, 2017), and usually dependent on technology for growth (Hecht, 2017; Robehmed, 2013; Thiel, 2014). Startups are often marked by informality, collaboration, flat hierarchies, and a general flexibility in structure and operations (Christopherson, 2002; Cockayne, 2019; Gill, 2002; Grabher, 2002; Mintzberg, 1989). An entrepreneurial organization, as discussed by Mintzberg (1989), follows a simple and informal structure, and employees often perform a wide array of tasks. The leadership style is visionary, and the Chief Executive Officer directly controls the majority of decisions, thereby exercising direct supervision. It is argued that businesses develop through time and become increasingly strict as they grow older (Mintzberg, 1989). However, it is also argued that the high level of informality and immoderate number of working hours pose a contradiction (Markusen, 2003). In Cockayne’s study (2019), interviewees talk about informality in terms of the startup being welcoming, friendly, or having a flat hierarchy. However, some also frame it more negatively, stating that informality is directly linked to lack of professionalism (Cockayne, 2019).

Looking at the people who work for startups, passion for work is mentioned by various authors (Cockayne, 2016; Gill, 2002). Being able to make your own flexible work schedule is another quality of a startup (McRobbie, 2010). “Absence of a viable product or absence of a robust customer or client base” (p. 82) is another definition mentioned by a few of Cockayne’s interviewees (2019). It is also argued that a startup is something of a status symbol, run by young, energetic people that are on the cutting edge between cultural trends and business (Marwick, 2013). In response to this, Cockayne (2019) states that Marwick’s view takes mostly established and successful startups into account, disregarding those that are still working on becoming a successful startup, calling it a “confirmation bias” (p. 80). The issue with this is that successful startups can often no

longer be considered a startup, according to the technical definitions regarding size, age, growth level, etc.

### *2.1.5 Startups: a special environment*

An entrepreneurial team faces a lot of pressure (Diakanastasi, Pramadari, & Karagiannaki, 2018) and founding a startup can therefore take a psychological toll on founders as startups show “rapid technological discontinuities and unstable success factors” (Wasserman, 2012, p. 92). Startup environments can be very emotional due to the high levels of risk and uncertainty, which can cause increased levels of anxiety, stress, frustration, but also excitement. Founders may feel disoriented at times because of new scenarios they may not yet know how to tackle (Blatt, 2009).

Startups also have very specific requirements when it comes to human resources (Bursuk, Mladenow, Maarit Novak, & Strauss, 2016). According to Ries (2017), “startups are inherently cross-functional” (p. 67) and founders and/or employees are often required to tackle a wide array of tasks early on during the founding process (Wasserman, 2012; Ries, 2017). One of the main aspects that define the special environment of startups are high levels of uncertainty, risk, and growth, as well as increased productivity in comparison to large companies who do not classify as startups (Ries, 2017; Bursuk, Mladenow, Maarit Novak, & Strauss, 2016). Furthermore, startups show an experimental culture where the aim is to “search for truth” (Ries, 2017, p. 79). Hence, “the ability to both work in and lead these kinds of high-performance teams requires particular skills” (Ries, 2017, p. 82).

### *What is the Difference Between a Startup and a Small Business?*

The majority of new companies that are founded each year are local businesses such as retail stores or service providers (Bruno & Cooper, 2000; Graham, Startup = Growth, 2012). However, they are designed to work locally and therefore show an altogether different DNA than that of a startup (Graham, Startup = Growth, 2012). According to Graham, as discussed in Robehmed’s article on what a startup is (2013), a startup differentiates itself from a small business by its ability to focus on growth without a geographical restriction. Similarly, Wasserman (2012) states that startups have “the potential to become large and valuable”, while small businesses “are designed to remain small and owner operated (p. 16).

## How to Find a Cofounder

The most notable difference between a small business and a startup is lack of innovation in a small business (Carland, Carland, Hoy, & Boulton, 1984; Brockhaus, 1980; Schumpeter, 1934). Graham gives the example of opening a bar in a specific neighborhood: this is a good idea for a small business as it is able to serve a niche market, but a startup would have to think of something more innovative (Graham, *Startup = Growth*, 2012). Schumpeter (1934) even argues that only someone who carries out innovations can be considered an entrepreneur. Small businesses usually perform well in providing a product or service users want and/or need but are unable to serve a big market due to geographical restrictions. The goal of a small businesses is not to grow like a startup but rather to stay a small business (McGowan, 2018). This is supported by Hecht (2017) who states that the goal of a startup is to dominate the market, while the launch of a small business will not disrupt the industry. Moreover, small businesses follow an already established model of operation and have countless examples to study before going into business, while a startup has no clear business model yet and is setting up a new way of doing business (McGowan, 2018; Briggman, 2020).

Moreover, entrepreneur Briggman talks about the four key differences between a small business and a startup: funding, risk, talent, and focus (2020). Not only do startups generally require larger sums of money, they also tend to raise funds from a Venture Capital firm as opposed to taking out a bank loan, which is custom for small businesses (Briggman, 2020). Launching a startup is usually a risky process, due to the fact that it involves a lot of uncertainty around the product and business model (Briggman, 2020; Mill, 1848). Mill (1848) even goes as far as arguing that the bearing of risk is the greatest difference between a small business owner and an entrepreneur. When it comes to talent, a lot of a startup's value comes from its human capital. Small businesses, on the other hand, are usually content with having average-skilled employees (Briggman, 2020). Lastly, small businesses are often characterized by having only one founder, who has little managerial experience or formal education (Bruno & Cooper, 2000).

### *2.1.6 Entrepreneurial Teams*

Entrepreneurial teams are teams that work towards a common goal and act in the best interest of the startup (Cooper & Daily, 1997). In his editorial on entrepreneurial teams, Cooney (2005) argues that founding teams and entrepreneurial teams are quite similar, and that top management teams can often be classified as entrepreneurial teams.

## How to Find a Cofounder

According to literature, the terms *entrepreneurial team*, *founding team*, *startup team*, *new venture team*, and *new product development team* can be used interchangeably (Diakanastasi, Pramadari, & Karagiannaki, 2018). These teams show up frequently in the creation of startups and have a positive effect on its performance (Kamm, Shuman, Seeger, & Nurick, 1990). Studies have shown that there is a positive relationship between the traits of team members and the outcome of the business, such as profitability and growth. Entrepreneurial teams are not just people working together towards a common goal, but there is also a social aspect that should be considered (Diakanastasi, Pramadari, & Karagiannaki, 2018).

Differences in motivation, expectations, and level of commitment can all affect the cohesiveness of an entrepreneurial team (Baum, Locke, & Smith, 2001; Pirola-Merlo, Hartel, Mann, & Hirst, 2002; Teece, 2015). A study conducted by Diakanastasi et. al (2018) shows that good team cohesion leads to an increased likelihood of the entrepreneurial team continuing: “teams that have stayed together and have persevered behind an endeavor, even if they had to make major pivoting or even significantly change their entrepreneurial idea, have demonstrated strong cohesiveness and team spirit among team members” (2018, p. 8). Vice versa, a team member is more likely to drop out if there is a lack of unity within the team (Diakanastasi, Pramadari, & Karagiannaki, 2018). Furthermore, a study conducted by Cooper and Bruno (2000) shows that only 52% of startups that succeeded still had their original founding team.

While one author argues that there are five stages an entrepreneurial team goes through, namely *attraction*, *bonding*, *projection*, *conflict*, and *development* (Bird, 1989), another states that teams usually do not go through these stages in an orderly manner, but that a team’s progress is rather dependent on what tasks are required at which time (Katz, 1993). Cooney (2005) has developed his own model to depict the formation of entrepreneurial teams. According to him, there are three parts to the formation: the idea, the team, and the implementation of the idea (Cooney, 2005). This model will be discussed in more detail in the chapter labeled *Where to Find a Cofounder*.

### **2.2 Team Dynamics**

The following chapter aims to provide the background knowledge needed for understanding entrepreneurial teams. It will debate the reasons for having a cofounder, as well as reasons not to in order to provide the full picture. The topic of cofounder tension will be introduced, and characteristics deemed crucial for an entrepreneur presented.

#### *2.2.1 Who is a Founder?*

A founder is a person “who comes up with an idea and then transforms it into a business or startup” (Startups, 2019). Similarly, Wasserman (2012) states that a founder, someone who starts a new organization, is responsible for early decision making that will essentially “shape the startup and its growth” (p. 16). The person that had the initial idea for the startup is often named the leader of the entrepreneurial or founding team (Diakanastasi, Pramadari, & Karagiannaki, 2018). However, it is also argued that the term ‘founder’ is subjective and can have a symbolic meaning by “having a key role in building a new function” (Wasserman, p. 94). For example, first hires of a particular function can be founders. Additionally, the term ‘founder’ can be used to make a job description more attractive and allows the startup to hire a person without giving up cash or equity (Wasserman, 2012). It is also mentioned that there is a common issue determining who essentially “owns” the idea (Diakanastasi, Pramadari, & Karagiannaki, 2018).

Giving out the title of ‘founder’ too carelessly can also be risky. According to Wasserman (2012), it may lead to that person feeling entitled within the company because they have been given a form of ‘status’. To help determine whether someone is a founder, the author has come up with five indicators: the start date of both the alleged founder and the startup, intellectual property (was the person involved in the idea stage?), initial role within the team, label, and equity stake (Wasserman, 2012).

If there is a ‘founder’, there is only one person launching the startup and making decisions. He or she usually has a team working under them and there is no one sharing the business’ equity. If there is a ‘cofounder’, there are two or more people working together, though they may have different roles in the startup, and equity is split respectively (Sajid, 2019). A cofounder does not necessarily have to come in right at the beginning of the formation of the startup but can come in during any stage (Startups, 2019; Wasserman, 2012). Furthermore, a distinction can be made between cofounders and core founders. The core founder is the initial founder who then adds cofounders to

the team, as well as later hires. There can be multiple core founders. Lastly, a ‘founding CEO’ is someone who is both a founder of a startup and currently the CEO of said startup (Wasserman, 2012).

### 2.2.2 Team Dynamics

It is common for founding teams to have similar backgrounds, whether that is the same gender, race, personal traits, or professional background (Wasserman, 2012). This is because individuals look for people that are similar to them, also known as the social identity theory (Ashforth & Mael, 1989; Perrone & Sedracek, 2008). It was found that similar social identity increases cohesiveness within a group, which facilitates a positive outcome of what the group has set out to achieve (Perrone & Sedracek, 2008). Such *homogeneity* can be useful in the early stages of the startup because it allows the team to take off quickly due to being able to develop working relationships more easily and faster: “when founders share a background, they share a common language that facilitates communication” (Wasserman, 2012, p. 102). This will make it easier to develop trust, making the founding team work more effectively, which can be explained by the fact that team members will already understand each other and know how the other founders work. Moreover, the risk of running into interpersonal conflict increases with the level of *heterogeneity* within the team. This is due to communication issues that may arise in heterogenous teams (Wasserman, 2012).

While the approach of keeping a team homogenous may be particularly helpful as well as comfortable for new founders entering unfamiliar territory, it may also present risks in the long-term. This is due to homogenous teams lacking diversity in terms of skills necessary to launch a startup and there may be overlaps when it comes to human capital, while also affecting the strategic creativity of the startup (Wasserman, 2012). Heterogenous groups offer different perspectives and interactions within the group (Perrone & Sedracek, 2008), while homogenous teams often show increased instability in the long run. However, too much stability, such as when the founders are friends, may hinder growth in the startup (Wasserman, 2012).

## How to Find a Cofounder

To summarize, *Table 1* (adapted from Wasserman’s *Founder’s Dilemmas*) shows the effects of homogeneity within the founding team.

		<b>Benefits of a homogenous team</b>	<b>Risks of a homogenous team</b>
<b>Tangible factors</b>	<b>Human capital</b>	Smoother communication → issues are discussed more quickly and easily	Skills crucial for launching the startup are missing (or there may be overlaps)
	<b>Social capital</b>	Cofounders with similar contacts may have higher confidence that their mutual obligations are not enforceable	Reduced diversity, limited contacts
<b>Intangible factors</b>	<b>Decision-making style</b>	Faster and easier decision-making process	No counterbalance
	<b>Risk tolerance</b>	Increased stability within team	No counterbalance
	<b>Commitment level</b>	Team members are more appreciative of each other’s capabilities	Low level of commitment → startup will not be sustained High level of commitment → whole team more likely to burn out
	<b>Value system</b>	Preferences and priorities will be aligned	No counterbalance

*Table 1 Effects of homogeneity within the founding team adapted from Wasserman (2012)*

### 2.2.3 The Importance of Having a Cofounder

Research shows that having at least one cofounder is crucial for launching a successful startup for multiple reasons. Chandler et al. (2005) argue that startups with two or more cofounders usually perform better than ventures with a single founder, and a research study conducted by Cooper and Bruno (2000) confirms this: 80% of successful startups were founded by two or more entrepreneurs. Similar to startups, entrepreneurial teams still need a leader with a vision that keeps the team heading in the right direction (Ensley, Carland, & Carland, 2000; Timmons, 1994; Diakanastasi, Pramadari, & Karagiannaki, 2018). Entrepreneurship is much more about collaboration than a single entrepreneur. (Gartner, Shaver, Gatewood, & Katz, 1994; Ensley, Carland, & Carland, 2000). Furthermore, Cooney (2005) talks about the “romantic notion of the entrepreneur as a lone hero” (p. 226) and argues that media showing entrepreneurs in a certain way causes many to think they do not have what it takes to be a successful entrepreneur: “real

## How to Find a Cofounder

entrepreneurs are often portrayed as those people who through hard work, innovation, perseverance, and high energy have built considerable success and wealth from the base of nothing” (p. 227). It is argued that media has created an image that is very different from the reality – it is too difficult for a single entrepreneur to launch a startup because it is too much work for one person and complementary skills are needed (Diakanastasi, Pramadari, & Karagiannaki, 2018).

### *Reasons for Having a Cofounder*

In his work, Wasserman (2012) identifies three **intangible** and three **physical** reasons as to why a cofounder should be brought in: the former being task preferences, collaborative style, and support and validation; the latter being human, social, and financial capital.

When it comes to **physical** capital, *human* capital encompasses knowledge, experience, and skills (Wasserman, 2012). Having more than one cofounder allows for more available expertise (Cooney, 2005). A cofounder may have a specific background in, for example, marketing or finance and can therefore tackle early tasks that allow the startup to take off, as well as solve problems that can be anticipated by someone that has knowledge about a specific industry. Industry knowledge is particularly important when there is a lot of competition in the respective industry, as well as when the entry barriers are high (Wasserman, 2012). Moreover, having skills that are complementary to each other are crucial for the startup to be successful (Bruno & Cooper, 2000). Having more than one founder accelerates growth for the startup as there will be different skill sets that can work together to optimize the business (RocketSpace, 2018). The aspect of complementary skill sets will be discussed in detail in the chapter labeled *What to Look for in a Cofounder*.

*Social* capital includes networking, contacts, and relationships, which allows a cofounder to, for example, bring potential customers on board (Wasserman, 2012). Furthermore, a study conducted by Banerji and Reimer (2019) concludes that the more connections a cofounder has on the professional networking site *LinkedIn*, the higher funds the company raised, highlighting the importance of social capital.

*Financial* capital includes tangible resources for founding a startup, namely money that is brought in by a cofounder (Wasserman, 2012). Expenses and risks can be split (Cooney, 2005), which is not only beneficial for the cofounders but also investors as

## How to Find a Cofounder

the startup can continue operating should one of two cofounders decide to leave (Callinan, 2014).

When it comes to **intangible** reasons for having a cofounder, *task preferences* encompasses transferring tasks to someone else because the founder's other skills may be needed elsewhere (Wasserman, 2012). Having a cofounder enables each founder to do what they are best at and to work more efficiently by splitting up when it comes to representing the business at different places at the same time (Hodak, 2020).

Having multiple people on the founding team allows for multiple perspectives and therefore better decision making (Hodak, 2020; Sajid, 2019; Callinan, 2014; Bruno & Cooper, 2000; Wasserman, 2012). Discussions and collaborative brainstorming sessions can help founders make decisions and come up with new ideas and solutions to problems, hence calling for a *collaborative style* (Wasserman, 2012). In an interview with Steve Blank, First Round Review (2020) states that people work better when they have other people to discuss ideas and decisions with.

Lastly, the psychological aspect of having a cofounder should not be underestimated – a core founder may need positive affirmations, *support*, and *validation* (Wasserman, 2012). The burden of founding a startup can be immense and having a cofounder can “fill in psychological holes when setting out on what will likely be a very stressful roller-coaster ride” (Wasserman, 2012, p. 92). Similarly, Cooper and Bruno (2000) as well as Cooney (2005) argue that exchanging psychological support is crucial and having a cofounder therefore all the more important. Similarly, stress for founders will be reduced and the burden split among founding team members (RocketSpace, 2018; Callinan, 2014).

The ideal number of cofounders is between two and four (First Round Review, 2020; Startups, 2019; Diakanastasi, Pramadari, & Karagiannaki, 2018). Stinchcombe (1965) highlights that the bigger the team gets, the more inefficient it will be and the higher the costs of coordination. However, it is also argued that bigger teams are better at problem solving because they can “(a) absorb and recall more items of information, (b) correct more errors in inference and analysis, (c) consider more potential solutions, and (d) bring a broader range of perspectives to bear on the problem” (Wasserman, 2012, p. 92). Ries (2017), on the other hand, argues that “small teams beat big teams” (p. 65) and while

## How to Find a Cofounder

large companies tend to increase the size of the team according to the importance of the project, startups should stick to small teams. This is mostly due to smaller teams sharing a stronger bond and communication being more efficient (Ries, 2017).

Lastly, the composition of the founding team is often valued as more important than the idea itself (Keller & Meaney, 2017). In fact, accelerator programs such as *Y Combinator* (YC) have stated that they prefer a team of at least two cofounders as opposed to solo founders, who make up only 10% of ventures that receive funding by *Y Combinator* (Friedman, 2019). *Y Combinator* cofounder Paul Graham (2006) states that it is simply too difficult for only one person to build a successful startup and that you need someone to bounce ideas off of. In agreement, Ries (2017) states that “Silicon Valley investors [...] make their investment decisions primarily based on the quality of the team: they look at the people first, *then* the idea” (p. 64). This is because a strong team is more likely to alter their idea or strategy in case problems occur (Ries, 2017).

### *Reasons not to Have a Cofounder*

In his book *Founder's Dilemmas*, Wasserman (2012) discusses four types of dilemmas that can be observed in relation to the founding team: *solo vs team*, *relationship*, *role*, and *reward*. When it comes to the first dilemma, *solo vs team*, Wasserman agrees with some of the reasons for having a cofounder mentioned above. However, the author also discusses reasons to stay solo. These include that the core founder may already present all skills the startup needs to take off, but also wanting to stay in control and not give up equity: a founder is often forced to “choose between building the company’s value and maintaining his or her own control over it” (Wasserman, 2012, p. 22). The “entrepreneurial ideal” is to be a founding CEO and become rich from it, examples for which are Bill Gates or Mark Zuckerberg.

The two most common motivations, as found in Wasserman’s study, are to build wealth (‘rich outcome’) and to drive and control the growth of the startup (‘king outcome’). However, the study also shows that wealth and power are usually separated for entrepreneurs, making it difficult to reach the entrepreneurial ideal. Choosing between one of these two motivations, to stay solo and therefore in control or to bring in a cofounder and drive the growth of the company forward, allows a founder to make better and more consistent decisions (Wasserman, 2012).

## How to Find a Cofounder

Lastly, another disadvantage of having multiple cofounders is that the initial overhead costs are higher, and the startup will have to raise more money to begin with. As an alternative, it is suggested to have ‘early’ (or ‘core’), and ‘late’ founders to support the costs (Bruno & Cooper, 2000). A late founder can, for example, work part-time until the startup is growing in a way the costs of another founder can be carried.

### 2.2.4 What to Look for in a (Co)Founder

Secondary research shows that there are certain attributes and traits that are believed a founder should possess in order for the venture to be successful. The traits of entrepreneurs have been studied as early as the 1800s, though the majority of literature discussed in the following subchapter was published more recently. This allows the reader to gain contemporary insights as startups as they exist today show a somewhat different DNA than businesses developed in the 18 and early 1900s, mainly due to startups today being centered around some sort of technological advance. Nevertheless, important works such as those of Schumpeter, Weber, and Mill provide a valuable framework for today’s research. The following table shows some of the early works centered around characteristics an entrepreneur should possess.

<i>Date</i>	<i>Author(s)</i>	<i>Characteristic(s)</i>
1848	Mill	Riskbearing
1917	Weber	Source of formal authority
1934	Schumpeter	Innovation, initiative
1954	Sutton	Desire for responsibility
1959	Hartman	Source of formal authority
1961	McClelland	Risk taking, need for achievement
1963	Davids	Ambition; desire for independence; responsibility; self-confidence
1964	Pickle	Drive/mental; human relations; communication ability; technical knowledge
1971	Palmer	Risk measurement
1971	Hornaday & Aboud	Need for achievement; autonomy; aggression; power; recognition; innovative/independent
1973	Winter	Need for power
1974	Borland	Internal locus of control
1974	Liles	Need for achievement
1977	Gasse	Personal value orientation
1978	Timmons	Drive/self-confidence; goal oriented moderated risk taker; internal locus of control; creativity/innovation
1980	Sexton	Energetic/ambitious; positive reaction to setbacks
1981	Welsh & White	Need to control; responsibility seeker; self-confidence/drive; challenge taker; moderate risk taker
1982	Dunkelberg & Cooper	Growth oriented; independence oriented; craftsman oriented

*Table 2 Characteristics of entrepreneurs (Carland, Carland, Hoy, & Boulton, 1984)*

Key characteristics discussed in recent literature with a focus on startups are the ability to work hard, have fun, and offer emotional support; commitment; curiosity; agility; perseverance; trustworthiness; honesty; willingness to take risks, not a people-pleaser; and not controlling, manipulative, or selfish (Lifshitz, 2019; Rusani, 2019; Leary, 2019; Bell & Finnegan, 2013; Sajid, 2019; First Round Review, 2020; RocketSpace, 2018).

## How to Find a Cofounder

Furthermore, global awareness, information literacy, the ability to think critically and solve problems are crucial skills that students should be taught (Rotherham & Willingham, 2010). A good founder needs to be able to identify opportunities, know how to acquire resources, setup strategies and make decisions (Shane & Venkataraman, 2000). Resilience is another trait a founder should possess due to the high levels of uncertainty and emotional rollercoaster founding a startup may bring (Blatt, 2009).

A cofounder should be able to build a product and team in managed chaos, while remaining calm and focused (First Round Review, 2020). The leader of an entrepreneurial team has to be able to motivate its team members and lead the way in times of crisis (Diakanastasi, Pramadari, & Karagiannaki, 2018). He or she must also be able to make decisions when there is only little data available (First Round Review, 2020). A shared vision and aligned goals is also mentioned throughout literature as a key characteristic of cofounders (RocketSpace, 2018; Bell & Finnegan, 2013; Lifshitz, 2019; Rusani, 2019; Bursuk, Mladenow, Maarit Novak, & Strauss, 2016; Aven & Hillmann, 2017). Though Blank (2020) seems to be agreeing with the characteristics stated above, he also states that the startup world is talking extensively about the characteristics a founder should possess, but has not yet come up with a test to determine whether a candidate is suitable for the job.

Wasserman adds passion, being action-oriented, confident and optimistic to the list of traits a founder should possess (2012). However, the author also argues that too much optimism or confidence can fuel natural biases and therefore harm both the startup and relationships with the cofounder and/or employees by causing the core founder to employ e.g. a family member or a friend, which may not be suitable for the position. Overestimation of a founder's abilities may also cause an underestimation of resources required to succeed, hence hindering the growth potential. A founder may also be less inclined to explore alternatives and/or think about the consequences of their decision making if they show excess confidence or optimism, or rely too heavily on their gut feeling (Wasserman, 2012).

While team chemistry has to be right (Lifshitz, 2019), research also shows that having founders with different personality traits can be beneficial when working together, especially in regard to who is working behind the scenes and who in front (Leary, 2019). Other sources state that cofounders do not have to be friends (First Round Review, 2020) and a "husband and wife team" should be avoided (Hoffman, 2014). However, the

majority of authors argue that finding a cofounder is very similar to finding a partner to spend the rest of your life with (Winley, 2015; Wasserman, 2012). Blank (2020) even goes as far as saying that “[when founding a startup,] you are going to get married and have kids, and the consequences of divorce here can sink the entire venture”.

### *Complementary Skill Set*

“The team lost \$35 million because the business model and the founding team [did not] match” (Blank via First Round Review, n.d.). The aspect that is mentioned repeatedly throughout literature regarding key characteristics of a cofounder is that they should have a complementary skill set (Sajid, 2019; Bell & Finnegan, 2013; CB Insights, 2019; Lifshitz, 2019; Rusani, 2019; Leary, 2019; Chen, 2013; Aven & Hillmann, 2017; First Round Review, 2020; Halim, 2016). According to Reid Hoffman (2014), “diversity of all necessary strength across the board” should be shown, which is also supported by Wasserman (2012) who states that each cofounder should fill in a gap in the team: “diversity in the functional backgrounds of team members is especially important in turbulent contexts [...] because it enables teams to quickly adapt to changes” (p. 105). Similarly, when talking about entrepreneurial teams, Cooney (2005) states that it is crucial to “combine talents to create and advance an enterprise” (p. 228).

Literature suggests that having one person that can build while the other one sells is the most efficient team setup (Lifshitz, 2019; Leary, 2019; Hoffman, 2014). This is supported by CB Insights (2019), who argues the founding team should be able to build a Minimum Viable Product (MVP) without outside help, as well as Ries (2017). According to the author and entrepreneur, “Silicon Valley prioritizes cross-functional teams” (p. 68), which must be able to, for example, design and manufacture a product on its own.

### *2.2.5 Cofounder Tension*

According to Wasserman’s study (2012), 65% of startups fail because of interpersonal conflict between cofounders. This statistic is supported by the results stated in *CB Insights’* report, according to which tension between cofounders is one of the top reasons startups fail, preceded only by startups running out of cash and having a problem that does not target a market need (2019). Similarly, Blank (2020) states in his interview that “a third to half of startups melt down over team dynamics before they ever get funded”.

## How to Find a Cofounder

Ex-partner at *Y Combinator* Garry Tan also states that “cofounder disputes have historically been one of the top reasons startups fail at the earliest possible stage” (Tan, 2017). In their research study, Cooper and Bruno (2000) look at founders and their attributes that may have caused success or failure of the startup. Results show that only one in three startups survive the first four years, and state lack of complementary skills as the main reason startups fail.

This is supported by various other authors, stating that the most common reason for conflict between cofounders is skill sets that are not complementary to each other and, hence, a lack of clear role assignment (Abbaszadegan, 2016; Burbank, 2016; CB Insights, 2019; Dizik, 2013; First Round Review, 2020; Winley, 2015; Tan, 2017; Halim, 2016; Duval, 2018; Linkilaw, 2018). A classic example of lack of role assignment causing tension is the allocation of the CEO title and distribution of power (Bruno & Cooper, 2000; Wasserman, 2012). Even if a cofounder receives the title of CEO, decisions may still be taken together, and similar tasks taken on. This can lead to battling out who gets to do which tasks and different opinions can slow down the decision-making process. Role dilemmas, the third dilemma discussed by Wasserman (2012) are affected by the widest array of factors.

Moreover, homogenous teams show increased instability in the long run in comparison to their heterogenous counterparts (Wasserman, 2012). In one of his blog posts on cofounder tension, cofounder coach Khalid Halim (2016) also states that different viewpoints are crucial in making decisions: “a diversity of viewpoints is an asset to the company”. A common occurrence is also the avoidance of addressing problems head on, for example because the cofounder is a family member (Wasserman, 2012). Moreover, “most common decisions – cofounding with friends, splitting equity equally among cofounders, etc. – are often fraught with peril” (Wasserman, 2012, p. 16).

Furthermore, the study conducted by Cooper and Bruno (2000) shows that some founders broke down under the pressure and did not want to keep fighting for the startup, which is supported by Diakanastasi et. al (2018), who argue that many founding team members give up because there simply too much work to deal with. Additionally, conflicts arise if members have different motives and expectations because the team’s cohesiveness is disturbed. The same is true for vision – if entrepreneurial team members have different visions for the startup, issues comes up in regard to the respective strategy that will be followed and the feeling of unity decreases. When disappointed, team

members often decide to leave the team. An entrepreneurial team is not able to develop if members keep dropping out and joining in. Finally, lack of communication is another factor that can cause tension and lack of cohesiveness within the founding team. This is because misconceptions often take place with written communication, which has recently gained popularity (Diakanastasi, Pramadari, & Karagiannaki, 2018).

### **2.3 Where to Find a Cofounder: Settings**

In his journal article on entrepreneurial teams, Cooney (2005) discusses his model on team formation. According to him, there are three parts to the formation of an entrepreneurial team: the *idea*, the *team*, and the *implementation of the idea*. When it comes to the idea, there are two possible scenarios: an individual had an idea for a new venture and then set out to find a team; or a pre-existent team had an idea. When it comes to the team, the question of who owns the idea remains to be answered in order to decide who the lead entrepreneur is. The lead entrepreneur can then be the person responsible for making initial decisions and leading the vision of the team (Cooney, 2005).

Cachon (1990) argues that there are four types of team compositions in an entrepreneurial team: husband and wife, family, partners, short-term partners. While this list may serve as the overarching theme of possible constellations, the following chapter will discuss settings where potential cofounder can be found in greater detail. These will also be used as the basis for *settings* in the survey and interviews used in primary data collection.

#### *University and Alumni Networks*

University, an *offline* setting, is mentioned by numerous authors as the number one setting to find a cofounder (Che, 2017; Murphy, 2014; Frankel, 2013; Harris, 2020; RocketSpace, 2018; Sajid, 2019; Zwilling, 2015; Wasserman, 2012). However, not everyone that wants to launch a startup has had the opportunity to go to college or to have met someone in college that they wish to launch a startup with. It can also be difficult to find a suitable cofounder in college. While it is easy to meet and befriend people during college, you typically do not spend enough time together to be able to determine whether someone would make a good founder (Zhou, 2019). On the other hand, a trial period where a small project, similar to what takes place in college, is tackled together can help determine whether two potential cofounders work well together (First Round Review,

## How to Find a Cofounder

2020; Winley, 2015). Similarly, Wasserman (2012) points out that (former) classmates should not assume compatibility solely based on the fact that they are classmates but should have worked on some kind of project together prior to becoming a cofounding team. Furthermore, *RocketSpace* (2018) mentions that “most colleges and universities hold networking events for budding entrepreneurs”, which gives not-so-recent graduates the option to connect with some like-minded people and potentially find a cofounder with a very specific skill set.

It should be noted that founders who meet in college can also be friends or acquaintances and hence be part of the core founder’s *personal network*, as discussed below. However, for the purpose of this research, founders who originally met in university and became friends will be viewed as having met in a *university* setting.

### *Personal Contacts/Network*

Personal contacts (Frankel, 2013; Sajid, 2019; Wasserman, 2012) include family and friends. One’s personal network can be divided into an “inner circle”, a “middle circle”, and an “outer circle” (Wasserman, 2012, p. 100). The inner circle can be defined as people the founder has *direct* contact and a relationship with, whereas someone in the middle and outer circle is an *indirect* contact. A contact in the inner circle could therefore be a friend, life partner, or an old neighbor, while a mutual acquaintance would be considered a contact from the middle circle. Someone who is met through an “impersonal search process; that is, strangers who are identified for having particular traits or abilities” (Wasserman, 2012, p. 100) would be considered a contact in the outer circle.

Both SMEs and startups tend to rely on family to start a business. Also called “relational teams”, they make up 40% of teams analyzed in Wasserman’s study, while those with friends as a cofounder make up 17%. However, the author argues that relational teams (both family and friends) are unstable and make for a weak team with less value because only the inner circle is tapped. While relational teams may process information quicker, provide emotional support, and are comfortable, stability is also greatly impacted. Venture capitalist Paul McManus even goes as far as saying that “blood [family relationships] is almost always a show-stopper” (Wasserman, 2012, p. 111) and advises against forming such cofounding teams. Very specific people are needed to build a startup, and it is argued that two of those cannot be found within the same group of friends. According to Wasserman’s study, a cofounder is 28% more likely to leave the

## How to Find a Cofounder

startup if there is a family member involved and found that relational teams are even less stable than those that are comprised of strangers (2012).

Lastly, it should be noted that cofounders can sometimes become friends in the process of launching a startup (“cofounder-then-friends”), which can be seen differently from cofounding teams who have been friends before the launch (Wasserman, 2012). For this research, personal contacts as a setting to find a potential cofounder, is regarded as an *offline* setting, even if people stay in touch through *online* platforms and communication service providers such as *Facebook* or *WhatsApp*.

### *Cofounder Matchmaking Sites*

Research shows that cofounder matchmaking sites have increased in popularity and are mentioned by multiple authors as a way to find a cofounder (Huspeni, 2013; RocketSpace, 2018; Sajid, 2019; Zwilling, 2015). The following sites have been identified as matchmaking tools for cofounders. While this list is not exhaustive, it represents the biggest platforms that currently offer matchmaking in an *online* or *offline* environment: *CoFoundersLab*, *FoundersNation*, *Founders2be*, *Startup Weekend*, *Joinef*.

The team at *CoFoundersLab* has developed an algorithm that connects founders, team members, and advisers. The platform therefore not only offers matchmaking, but also other resources such as mentorship and education. Users can either join with an existent idea for a startup or simply look for a startup to join as a cofounder. *CoFoundersLab* currently claims to have made 550,000 introductions in a network of 400,000 entrepreneurs in over 140 countries. They offer a freemium model, claiming that their premium membership will increase effectiveness five times (CoFoundersLab, 2020).

While *FoundersNation*'s model is quite similar to that of *CoFoundersLab*, it does not use an algorithm to match users but instead offers a search option where users can browse for possible cofounders based on location, skills set, and how many hours they wish to commit (FoundersNation, 2020).

*Founder2be* is a Helsinki-based platform that claims to host a network of 100,000 entrepreneurs in over 100 countries. Similar to *FoundersNation* and *CoFoundersLab*, this platform goes beyond matchmaking by partnering with accelerators, universities, and incubators to help the startup succeed once founders have been matched (Founder2be, 2020).

## How to Find a Cofounder

*StartupWeekend*, who works in partnership with *Google for Startups*, takes a different approach to cofounder matchmaking by focusing on offline networking and learning rather than a search function or matchmaking algorithm. *StartupWeekend* offers multiple-day workshops where teams form and go through the entire process of launching a startup. *StartupWeekend* claims to have instituted the formation of more than 23,000 teams in almost 3,000 events, resulting in the launch of numerous successful startups (StartupWeekend, 2020).

Similar to *StartupWeekend*, *Joinef* runs an extensive 14-week training program that allows participants to find a cofounder. However, participants will have to go through an application process and will be invited for an interview before being able to join the program of 50 to 100 people. After having found a cofounder, participants will be able to pitch their idea and start fundraising rounds.

### *Social Media Groups*

This setting includes (Sajid, 2019; Zwilling, 2015), for example, groups on *Facebook* that are used to network, discuss topics, and find potential cofounders. Examples of such groups are *CoFoundersLab Entrepreneur Network*, *Entrepreneur & Start Up Network Forum*, or *Female Co-Founders*, all of which can be found on the *Facebook Groups* platform. Sajid (2019) argues that many experts can be found in such groups, though one “must be aware that there are many scammers on these groups” and advises to always meet the person in question in person before arranging a contract or agreement. This setting is considered an *online* setting to find a cofounder.

### *Startup Events*

Startup events (Murphy, 2014; RocketSpace, 2018; Sajid, 2019) is a popular *offline* setting to meet potential cofounders and include hackathons and accelerators, but also conferences and workshops that are associated with startups and entrepreneurship. These events allow core founders to meet people with similar interests (RocketSpace, 2018; Sajid, 2019), knowing that they are “committed to startup growth and success” (RocketSpace, 2018).

## How to Find a Cofounder

### *Networking Platforms*

A networking platform (Banerji & Reimer, 2019; RocketSpace, 2018) as a setting is considered a site that is used solely for the purpose of networking. A popular example for this is *LinkedIn*, which allows professionals to connect and discuss (LinkedIn, 2020). Furthermore, a study conducted by Banerji and Reimer (2019) concluded that the more connections a founder has on LinkedIn, the higher the funds the company raises, underlining the importance of networking.

### *Former Coworkers, Competitors, or Customers*

Former competitors or customers is a setting mentioned by multiple authors (Murphy, 2014; Wasserman, 2012; Zwilling, 2015). When bringing in a cofounder that was previously a coworker, competitor, or customer, the core founder has to be careful to “avoid employer conflicts of interests and non-compete clauses” (Zwilling, 2015). Murphy (2014) gives examples of several startup founders that have ended up working with a former customer or competitor. According to Wasserman (2012), teams where founders previously worked together in a professional environment, are more stable than those comprised of family or friends (relational teams). This can be due to the cofounders having already established a professional relationship and knowing how the other works. Cofounding teams who have previously worked together show greater growth rates, lower risk of failing, and better social integration into the team (Wasserman, 2012).

### *Other Settings*

In his article “50 Ways to Find Co-Founders” (2014), author Bill Murphy arguably lists settings that prove an exception rather than a rule to find a cofounder, and therefore remains the only author to mention these. Nevertheless, these settings will be mentioned briefly in order build a backbone of knowledge that shows the whole picture. These settings are: *social settings*, such as get-togethers or parties that are not related to the startup scene; *regular dating*, which in this context means finding a cofounder by going on dates in a romantic sense as opposed to making a current spouse a cofounder; *religious institution*, meaning finding a cofounder by, for example, going to church; *working in coworking space*; and *hiring a freelancer* or contractor that later becomes a cofounder. Lastly, *playing sports together* is mentioned by both Murphy (2014) and Sajid (2019). All of these settings are considered *offline* settings for the purpose of this research.

### 3. Methodology

#### 3.1 Research Methodology & Design

The objective of this research is to identify what makes a good cofounder in terms of skills and characteristics, where to find a suitable cofounder, and what causes tension between cofounders. In order to determine the techniques and procedures needed to fulfil the research objective, Saunders et. al (2018) present the so-called research onion. The following table depicts an adapted form of said research onion in order to present the techniques used in this particular research.

<b>Methodological choice</b>	Mixed method research
<b>Strategy</b>	Expert interviews + survey
<b>Philosophy</b>	Pragmatism
<b>Approach</b>	Secondary research: deductive Primary research: abductive
<b>Time horizon</b>	Cross-sectional

Table 3 Techniques and procedures based on the “research onion” by Saunders et. al (2018)

The *methodology* chosen for this research project is a mixed-method research, with the *strategy* being the use of in-depth, expert interviews as well as a questionnaire distributed among (co-)founders.

The research *philosophy* is about the belief of how research will develop and can follow a positive, realistic, interpretative, or pragmatic approach. While positivism is usually used for quantitative research and characterized by a large sample size and structured approach, qualitative research uses an interpretative approach and is marked by complexity. Pragmatism, on the other hand, is based on a mixed method approach and focuses on practical solutions and outcomes with the research question at the center. It recognizes the importance of having different point of views and combines positivism and interpretivism (Saunders, Lewis, & Thornhill, 2018; Maarouf, 2019). Furthermore, pragmatism “emphasizes the role of values and environment as well as habits and multiple preferences in the shaping of action” (Zimmerman, 2006, p. 470). It allows the researcher to gain complete understanding of a research problem as well as best data explanation

(Maarouf, 2019). Hence, for this research project, a pragmatic approach is followed as the mixed methods allow the researcher to get the full picture and take different views into consideration when answering the research question.

While the secondary research of this project follows a deductive *approach* to develop a theory, primary research follows an abductive one. A deductive research approach starts with a given theory which is then tested and is usually descriptive. An inductive research starts by collecting data, which is then explored and used to develop a theory, hence being exploratory rather than descriptive. An abductive approach, on the other hand, combines inductive and deductive (Saunders, Lewis, & Thornhill, 2018; Bell, Bryman, & Harley, 2015). Abductive logic is argued to overcome the limitations of inductive and deductive reasoning. While deductive logic is regarded rather strict and tries to falsify hypotheses, the limitation of induction is that even high amounts of empirical data might not be enough to build a solid theory (Bell, Bryman, & Harley, 2015). Due to this particular research using mixed methods and data collected through one strategy is picked up on with the other, it can be concluded that an abductive approach is used.

Lastly, the *time horizon* of this research is cross-sectional, as it merely provides a snapshot due to the time constraint of the thesis. A longitudinal study, on the other hand, takes place over a period of time and allows the researcher to document change and development (Saunders, Lewis, & Thornhill, 2018).

### *Qualitative and Quantitative Research*

Saunders et. al (2018) define qualitative research as research “based on meanings expressed in words” (p. 482), while quantitative research is “based on meaning derived from numbers” (p. 482). Qualitative data allows the researcher to gain in-depth insights from the perspective of an expert on a certain topic, as well as study participants in real-life conditions, which can help explain human behavior (Yin, 2011). According to Brinkmann & Kvale (2015) the purpose of a qualitative research is “to understand themes of the lived daily world from the subjects’ own perspective” (p. 27). Qualitative data is not quantifiable, and characterized by complexity, low sample sizes, and not being standardized. Examples for qualitative data are questionnaires with open-ended questions and transcripts from interviews, which are then analyzed through conceptualization. Data is usually summarized or categorized, and software can aid the researcher with sorting

data and identifying themes (Saunders, Lewis, & Thornhill, 2018; Bell, Bryman, & Harley, 2015; Brinkmann & Kvale, 2015).

Quantitative research, on the other hand, is highly standardized and numerical. It usually has a high sample size, and collected data needs to be processed in order to make sense of it. This can be achieved by using statistical software, but also by using graphs and charts to visualize it. A classic example for quantitative research is collecting data through an online questionnaire (Saunders, Lewis, & Thornhill, 2018; Bell, Bryman, & Harley, 2015).

Because this research is using a mixed method approach, it is both qualitative and quantitative with interviews contributing to the former and a questionnaire to the latter. By questioning both experts such as mentors and (co-)founders, the researcher is able to gain different perspectives and is therefore able to better answer the research question.

### 3.2 Research Process

According to Saunders et. al (2018), the research process should commence by clarifying the topic the researcher wishes to study. This is then followed by reviewing existing literature on the topic critically and building a foundation of knowledge that is required for the rest of the thesis. Once that is complete, the research design should be formulated, followed by planning, collecting, and analyzing data. The final step is to write up and present the project (Saunders, Lewis, & Thornhill, 2018). Similarly, Bell et. al (2015) have developed a framework with the main steps of conducting qualitative research, which follows interchangeable steps to the ones discussed by Saunders et. al (2018). Brinkmann & Kvale (2015) present their seven stages to an interview investigation, which can be summarized as follows:



*Figure 1 Seven stages of an interview investigation adapted from Brinkmann & Kvale (2015, pp. 278-300)*

However, it can be argued with all of these processes that they are highly theoretical and in reality, many of the steps mentioned by Saunders et. al (2018) and Bell et. al (2015) take place simultaneously. Additionally, hurdles may appear at any given

point of the research process, causing disruptions and the researcher to have to switch out certain steps.

As that, the researcher started the process by conducting basic research and building some general knowledge, while also designing the interviews and questionnaire, and collecting data. The literature review was written during that same period of time, while the findings and discussion were written last. With COVID-19 causing a stir and high levels of uncertainty worldwide, the process of writing this thesis was also affected. For example, interviews had to take place online, many having been restricted to their home as an office space.

### *Secondary Data Collection: Literature Review*

The collection and critical review of existent literature is crucial for any research study, as it builds the backbone of knowledge required, while also highlighting the gap in current research (Saunders, Lewis, & Thornhill, 2018). The majority of secondary research conducted for this thesis is based on critically reading peer-reviewed journal articles, and books. Another source used to gain insights is blogs published by renowned entrepreneurs in the startup scene. While these articles give a primary, first-person and current perspective, they might also be biased and only represent a single point of view with little scientific background. In order for these blog posts to be representative for this research, they were reviewed particularly critically, and a larger quantity was used to compare and validate standpoints and opinions.

With library access limited during COVID-times, the researcher was restricted to using online databases to obtain journal articles and academic books needed to conduct secondary research. In particular, the online portals *JSTOR*, *ScienceDirect*, *Springer*, and *Sage Journals*, as well as *Google Scholar* were used to retrieve literature. Furthermore, some (e-)books were purchased by the researcher.

### *Primary Data Collection: Interviews*

As part of the qualitative part of primary data collection for this research, semi-structured and structured interviews with open-ended questions were conducted using two different strategies. Seven interviews were collected in total, with two being face-to-face using the Outlook software *Teams*, and the remaining five being gathered via the survey-taking

## How to Find a Cofounder

platform *Survey Money*. During the initial stages of data collection, it became clear to the researcher that interviewees preferred written replies over live face-to-face interviews. This can be attributed to a language barrier (no subject is a native English speaker), time constraints, uncertainty due to COVID, and general high reluctance/barriers. While the majority of participants were initially approached for a live interview via *Teams*, some immediately asked for an email interview instead. Hence, it was decided by the researcher that interviewees could decide for themselves whether they would like to have a live interview or answer the questions in a written format. A link to an online questionnaire with the same, though slightly rephrased, open questions was sent out to possible interview candidates. Due to the initial two interviews having taken place face-to-face, the researcher was able to adjust questions in order to get valid responses. Furthermore, the option to remain anonymous was given to all respondents.

Case selection took place in an intentional rather than randomized manner based on background and expertise. While two interviewees are former teachers of the researcher, the other subjects were searched for using the mentor lists published by *Hack the Crisis Iceland* and *Startups Iceland*, among others. The candidates were then either contacted via email or *LinkedIn*, with the response rate being higher for the latter. After the initial contact, a link to the online form for the written interview was sent. Questions asked in the interviews mirrored those posed in the online survey and aimed at going into greater depth than the survey.

The following table depicts all subjects interviewed, their backgrounds/roles, and the strategy used to interview them.

<b>Name</b>	<b>Strategy</b>	<b>Background</b>
<b>A</b>	Oral, online	Professor for Entrepreneurship for 20+ years; currently founding a startup in the area of kinetic thinking with former colleague.
<b>B</b>	Oral, online	Background in consultancy; teaches Entrepreneurship at Reykjavik University; founder of <i>Startup Iceland</i> ; investor; mentor.

## How to Find a Cofounder

<b>C</b>	Written	Entrepreneur; founder; mentor; background in healthcare; teaches Entrepreneurship at the University of Akureyri; project manager; lean management.
<b>D</b>	Written	Project manager; consultancy; focus on e-commerce; mentor.
<b>E</b>	Written	Background in food science; mentor; host and organizer <i>Hack the Crisis Iceland</i> ; project manager; Climathon winner; works at Reboot Hack.
<b>F</b>	Written	CEO; cofounder of a startup; mentor.
<b>G</b>	Written	Investor; working in Venture Capital since 2009; founded own VC company in 2017; mentor.

*Table 4 List of interview partners*

A semi-structured interview allows the research participant to state their opinion freely and talk about their experiences, while still being given direction by the researcher through the interview guide (Brinkmann & Kvale, 2015). Hence, an interview guide with open-ended questions (see [Appendix A](#)) was developed with a list of questions the researcher wanted to cover during the conversation, while still trying to go with the flow during the actual interview. Biased questions, or questions that suggest an answer were avoided as much as possible, in order to get the subject’s opinion. All interviews were conducted in English.

The guide is divided into four parts, with the first one being about the interviewee’s background. In order to start the conversation, the researcher asked “easy” questions about the subject, their connection to the entrepreneurship world, their current role, and so on. The second part asks questions about cofounders – whether they think it is important to have one, and the skill sets and qualities they think founders should possess. The third part is about where to find a cofounder, their stance on online vs offline settings and if they would have a stranger as a cofounder. The last part of the interview guide asks questions about cofounder tension. The researcher presented the subjects with Wasserman’s statistic of 65% of startups failing due to cofounder tension and asked them what they think causes this interpersonal tension.

For those participants that requested a written interview as opposed to an oral one, a survey was created using the survey platform *Survey Monkey* (see [Appendix B](#)). While

## How to Find a Cofounder

oral interviews followed a semi-structured approach, written interviews followed a structured one as questions had to be answered in a given order. This has the limitation that no follow-up questions could be posed to the interviewee. They had the option, however, to pause the questionnaire and contact the researcher with questions in case of anything being unclear, thereby insuring validity. Written interview participants were asked the same questions as oral interview partners, though questions were slightly rephrased to insure better understanding.

### *Primary Data Collection: Questionnaire*

The second method used for primary data collection is quantitative and deductive, namely an online survey with ten closed questions and a list of possible answers pre-determined by the researcher. The goal of the questionnaire was to gain understanding of how founders find their cofounder, what they think is important in a cofounder and how tension is caused between cofounders. In total, 120 surveys responses were collected through the survey platform *Survey Monkey*. The survey was distributed in *Facebook* and *LinkedIn* groups centered around the theme of startups and founders, as well as forwarded to entrepreneurial teams by the researcher's thesis supervisor. The groups were selected based on the number of members and descriptions provided. In some cases, the researcher first had to be approved to join the group. While groups were selected intentionally, responses were collected at random as each subject could decide for themselves whether they wanted to be a participant, and no incentive was given by the researcher. The overall response to the survey was rather positive, with subjects expressing interest in the topic and some even asking to receive the results of the analysis.

The questionnaire follows a similar outline to the interview guide and mirrors its questions (see [Appendix C](#)). The first part is about the respondent's background and asks whether they are a cofounder of a startup, a small business, or currently looking for a startup. The second part asks survey takers about cofounders and what characteristics they look for, followed by settings to find a cofounder. The last part is about cofounder tension and what causes it.

### 3.3 Data Analysis

#### *Thematic Analysis*

The first step of analyzing qualitative data is to transcribe the interviews gathered through primary research. Transcribing interviews not only allows the researcher to recall what the subject said, but also the way in which it was said (Saunders, Lewis, & Thornhill, 2018). While there is software available to help the researcher with the time-consuming process of transcribing, it was decided by the researcher to do it herself in order to preserve the interactive nature and start thinking about possible themes that emerge (Saunders, Lewis, & Thornhill, 2018; Brinkmann & Kvale, 2015). Additionally, the researcher took notes of what she deemed important throughout the interview, which helped in the later processing of data. According to Saunders et. al (2018), summarizing “involves condensing the meaning of large amounts of text into fewer words” (p. 491) and is the next step in analyzing qualitative data. Later, data was categorized by recognizing relationships and connecting chunks of data to each other.

#### *Statistical Testing*

In order to analyze quantitative data gathered through the online survey, the statistical software *IBM SPSS* was used. Using this software, hypotheses were tested through correlation analysis, where the linear association between two variables is tested. Regression analysis, on the other hand, uses more than two variables to predict a certain outcome: linear regression is about using the “relationship between two variables to predict the value of one of the variables given a value of the other variable” (Elliott & Woodward, 2020, p. 125).

Two methods to conduct a correlation analysis are Pearson and Spearson. A separate test (e.g. Shapiro-Wilk) can determine whether or not data is distributed normally, which then determines which of the two correlation methods is used. If data is distributed normally, the Pearson test is used, while the Spearson method is used if data is not distributed normally. Correlation can be both positive and negative, and the effect is measured in three different sizes: small ( $r = >.10; <.30$ ), medium ( $r = >.30; <.50$ ), and large ( $r = >.50$ ). If the p-value is smaller than .05, the null hypothesis is rejected, meaning there is a linear relationship between the two variables (Elliott & Woodward, 2020).

## How to Find a Cofounder

Based on the findings from secondary research, the following hypotheses were formulated:

1. There is a linear relationship between the age of a cofounder and the type of setting they would recommend to find a cofounder (online vs offline).
2. There is a linear relationship between the age of a cofounder and how important they think it is to have a cofounder.
3. There is a linear relationship between the type of business owner (local/small vs startup) and how important they think it is to have a cofounder.

The hypotheses were tested using data gathered in primary research. Results of hypothesis testing will be presented in the [Findings](#) chapter.

### **3.4 Practical and Ethical Considerations**

This thesis was written during the outbreak of COVID-19. Like many other industries, the startup scene is being disrupted and most work was moved online. This meant that interviews had to take place online, but also that there was a general tenseness among people.

In order to withhold a certain ethical standard, confidentiality as well as anonymity were assured to all participants of the study. Instead of names, letters of the alphabet are used to label interview partners, while no personal information was gathered through the online questionnaire. Additionally, there was no purposeful misinterpretation of data and honesty when reporting is guaranteed.

## 4. Findings

The following chapter aims to state the findings gathered in the process of quantitative and qualitative data collection. In total, seven experts participated in the qualitative part of the study, while 119 founders took part in the quantitative survey. The goal of this thesis is to contribute to the research gap centered around founders of startups by answering the following three questions:

1. What makes a good cofounder?
2. Where do you find a cofounder?
3. What causes interpersonal tension between cofounders?

### 4.1 Qualitative Research

Qualitative data gathered for this study was coded and merged into five themes, each contributing to answering one of the three research questions. The following table presents the five themes used to answer the research questions stated above.

<b>Research Question</b>	<b>Theme</b>
<i>What makes a good cofounder?</i>	The importance of having a cofounder when founding a startup
<i>What makes a good cofounder?</i>	Qualities and skills a cofounder should possess
<i>What makes a good cofounder?</i>	Team dynamics
<i>Where to find a cofounder?</i>	Personal network, University
<i>What causes interpersonal tension between cofounders?</i>	Lack of role assignment, lack of communication, incompatibility of personalities

Table 5 Overview of themes

#### 4.1.1 What makes a good cofounder?

##### *The Importance of Having a Cofounder when Founding a Startup*

All interviewed subjects state there should be at least two cofounders when founding a startup, showing *the importance of having a cofounder* (B, 2020; A, 2020; C, 2020; D, 2020; E, 2020; F, 2020; G, 2020). Subject A (2020) argues that it is crucial to differentiate between a small business and a startup, saying that it is easy for a single founder to launch

## How to Find a Cofounder

a plumbing business, while it is more difficult to launch a tech startup with something completely new when there is only one founder. Having a cofounder helps with receiving funding, as well as structural matters (C, 2020), decision making, and having someone to bounce ideas off of as the early stage is particularly busy (B, 2020). When thinking about bringing in a cofounder, it is also critical to reflect on whether or not a cofounder is really needed to launch the startup, or if it makes more sense to hire an employee instead. Founders should ask themselves why it is that they need a cofounder – is it because they do not have the necessary skills or because of the social aspect that they prefer having someone by their side to make decisions (A, 2020). Similarly, subject C states that “there is no need to have too many cofounders either” (2020). The ideal number of cofounders is between two and three (B, 2020; C, 2020).

### *Qualities and Skills to Look for in a Cofounder*

“When all the right skills for the idea come together” (C, 2020), you have a strong founding team. Agreement can be found among interviewees, with all stating that *complementary skill sets* within a founding team are crucial (A, 2020; B, 2020; C, 2020; D, 2020; E, 2020; F, 2020; G, 2020): “the team tends to become too product centric” if skills are not diversified (E, 2020). When launching a startup, there are simply too many tasks for one person (B, 2020) and having a cofounder with specific skill sets is usually more cost effective than hiring someone (A, 2020). Some skills, such as developing a mobile application, come with a high price tag, causing the startup to have to turn to investors and, hence creating a loop (A, 2020). It is therefore recommended to have one cofounder with technical/app development skills (B, 2020; F, 2020; G, 2020), as startups are driven by technology (B, 2020), as well as one that is an expert in the respective industry/field (F, 2020).

However, one interviewee also argues that all cofounders should have “the same basic skills and then add up for each other’s lack of skills with other skills” (E, 2020), while another states that for some required skills it may make more sense to hire someone instead of making them a cofounder (A, 2020). Different stages require different types of skills (A, 2020). Cofounders should be able to show a broad spectrum of skills in the early stages of the startup, which includes being able to write text, being able to convincingly present their idea, and basic marketing skills (C, 2020). A successful founding team setup consists of people with skills in innovation management, operations, finance, marketing, and business development (D, 2020; G, 2020).

## How to Find a Cofounder

When it comes to *qualities* a cofounder should possess, being energetic, able to motivate and communicate are the most frequently mentioned (A, 2020; C, 2020; D, 2020; E, 2020; G, 2020). Additionally, a founder should be leading by example (C, 2020; D, 2020). In the early stages it is advisable to have a cofounder with natural leadership qualities, while a seasoned CEO should take over in the later stages of the startup (B, 2020). Open-mindedness (C, 2020; D, 2020), flexibility (C, 2020; G, 2020), confidence, risk-taking (E, 2020), creativity (G, 2020), resilience (G, 2020; F, 2020), patience, and humor (C, 2020) are among the other qualities mentioned in regard to what makes a good cofounder. Additionally, founders should be believing in themselves, as well as the idea (C, 2020; E, 2020).

In the argument character versus skills, agreement can be found among interviewees that character is more important than skills (A, 2020; B, 2020; C, 2020; F, 2020; G, 2020): “it is not the skills that make for a good team” (A, 2020). While both are crucial, character shows to have a greater influence on the team chemistry than skill, and good chemistry is crucial according to subject A (2020).

### *Team Dynamics*

Subject B provides the analogy of a soccer team, arguing that a team will not perform well straight away, but needs practice. The team will also work best if the element of uncertainty is eliminated, due to the stress factor that is caused by uncertainty. Familiarity also contributes to a positive team chemistry (A, 2020; B, 2020), as members already know each other’s strengths and weaknesses (B, 2020). Moreover, like-mindedness, shared vision and values (C, 2020; F, 2020; G, 2020), as well as honesty (E, 2020) and being able to communicate (C, 2020) make a *strong team*. Lastly, diversity within the team in terms of both skills and demography contribute to positive team dynamics.

Mutual agreement can be found when it comes to the topic *team versus idea* – all interviewees argue that the team is crucial to executing the idea, hence deeming the team more important than the idea (A, 2020; B, 2020; C, 2020; D, 2020; E, 2020; F, 2020; G, 2020): “a cleverly constructed team will execute the idea, which otherwise could end up in a drawer” (D, 2020). The idea is executed through skills, knowledge, and personality (C, 2020). Subject A (2020) argues that ideas are cheap and value comes only from the way the idea is implemented, while subject B (2020) states that a great founder is needed

in order to generate value from an idea. Both interviewees point to the VC firm *Y Combinator*, which openly states that they are more likely to invest in a team than an idea.

### ***4.1.2 Where to find a cofounder?***

#### *Personal Network*

The two *settings* mentioned the most frequently throughout interviews are personal network (A, 2020; B, 2020; C, 2020; D, 2020; F, 2020) and university, including the alumni network (A, 2020; B, 2020; C, 2020; F, 2020). Additionally, interviewees recommend looking at professional environments such as the current or former workplace (B, 2020; C, 2020; G, 2020), as well as the international startup scene (G, 2020) and hackathons (E, 2020).

University can be an effective setting to find a cofounder because it allows one to meet people that share common interests and work on projects with them (A, 2020), thereby understanding their strengths and weaknesses and how they work (B, 2020). A cofounder should be “someone you know, how their work ethics are and if they can be trusted and you enjoy spending time with” (C, 2020). However, it is not recommended for close friends to form a founding team as they are often not able to tell each other anything new (A, 2020; E, 2020), their mindsets might be too similar (D, 2020), and usually either the friendship or the startup suffers (E, 2020). Instead, a cofounder should be someone that helps one see new perspectives, not necessarily someone who agrees with everything the other says (C, 2020). This will help finding a complementary cofounder (D, 2020).

When asked whether they would consider having a *stranger* as a cofounder, the majority of interviewees stated they would not: “I would absolutely not have someone as a cofounder I did not know” (C, 2020). It is recommended to get to know one another well before forming a founding team (E, 2020), or choose a former colleague as they provide the necessary distance while still knowing how the other works (G, 2020). Having someone from a personal network as opposed to a stranger as a cofounder can also elevate some of the initial burdens of trust and helps move forward faster (F, 2020).

### *Offline Settings*

In general, a trend towards offline settings can be observed (A, 2020; B, 2020; C, 2020; D, 2020; F, 2020). This can be attributed to online matchmaking platforms being “too impersonal” (A, 2020) to find a cofounder, considering that chemistry between founding team members is crucial. Subjects A and B compare finding a cofounder to finding a partner in life and argue that looking for a founder online is like going on a blind date – you need to get to know each other first and see how the other behaves before making any commitments (A, 2020; B, 2020). However, online settings can be an effective way to meet people and start building a network, though it is crucial to build a relationship with trust and see how the potential cofounder works first (B, 2020).

### **4.1.3 What causes cofounder tension?**

Subjects were presented with Wasserman’s statistic of 65% of startups failing due to tension between cofounders (Wasserman, 2012) and all agree with said statistic (A, 2020; B, 2020; C, 2020; D, 2020; E, 2020; F, 2020; G, 2020). In general, founding a startup is a learning process and it is crucial the founding team stays focused on what really matters, as they are the ones driving the boat (B, 2020). Tension between cofounders can be attributed to three major causes, though it is often a combination of them that ultimately causes the failure of a startup (A, 2020).

The first reason for tension between cofounders is a lack of role assignment, a so called “power struggle” (E, 2020; F, 2020) when it is not clear who calls which shots (B, 2020). It is crucial for a founding team to have “clearly divided roles” in order to “minimize tension” (C, 2020). Having complementary skill sets can help keep a team intact (F, 2020).

Secondly, cofounder tension is often caused by a lack of communication, which occurs when founding team members do not share the same vision for the startup (C, 2020; D, 2020; F, 2020) and do not have the same big picture (C, 2020; D, 2020). Additionally, a disagreement on which path to take is a common occurrence in startups that have reached the stage of fast growth (F, 2020).

Lastly, incompatibility of personality is another common factor responsible for cofounder tension, which occurs when two characters simply do not match. This may cause decisions making to take longer, as well as stress and unnecessary disputes (C, 2020). Additionally, some founders may not have the right character to resolve conflict

(A, 2020), or to address conflict (B, 2020). This may be the case when one cofounder shows extroverted characteristics, while the other is rather introverted (B, 2020).

### *4.1.4 Summary*

It is crucial to have a cofounder when founding a startup, especially a tech startup, because they are more difficult to launch than small businesses. Having a cofounder also helps with decision making, receiving funding and alleviating stress. Complementary skill sets are crucial in a founding team. Having a cofounder with technical skills or skills to develop a mobile application is particularly important because those skills come with a high price tag and allow the startup to take off more quickly and successfully. Other things that are crucial, especially in the early stages, are skills and knowledge in innovation management, business development, finance, marketing, and operations. However, character and personality are considered more important than the skills a cofounder brings to the table. Qualities that a cofounder should have are being able to motivate, leading by example, being natural leader, having resilience, confidence, and patience, being open-minded, flexible, and being able to communicate. Familiarity creates cohesiveness within an entrepreneurial team, along with like-mindedness, a shared vision, and being able to communicate with each other.

Cofounders are best found within one's personal network, at university, or in professional settings. Having someone you know as a cofounder is best, as their work ethic, strengths and weaknesses are already known. This also promotes cohesiveness and team chemistry. It is not recommended to have close friends or family members as a cofounder, just like bringing in a stranger. Offline settings are preferred over online settings because the latter are too impersonal. However, they can be helpful in building a valuable network.

Lastly, 65% of startups fail because of cofounder tension, which is supported by various sources. The reasons for interpersonal tension between cofounder are lack of role assignment, power struggles, skills of cofounders that are not complementary to each other, lack of communication, and lack of shared vision. Incompatibility of personality can be another factor for tension between cofounders.

### 4.2 Quantitative Research

The following chapter presents the results gathered through an online survey distributed among current and soon-to-be cofounders. First, an overview of demographics will be given, followed by a descriptive explanation of individual responses using frequencies and central tendencies, along with statistical testing of previously formulated hypotheses.

#### 4.2.1 Demographics

The first two questions of the survey asked participants basic questions in order to gather demographic data and offer an easy start into the questionnaire. Results show that the majority of participants, namely 54%, are currently a cofounder of a startup (defined as an innovation- and growth-oriented business), while 11% are cofounders of a small local business, 23% are still looking for a cofounder, and another 11% are former cofounders, but their company has since failed or was acquired.

Participants between the ages of 25 and 34 present the largest age group, with 29%. The group 35 to 44 and 45 to 54 each make up one fourth of the total number of respondents. Only 13% are over 55 years old, while 11% are between 18 and 24. No one below the age of 18 and above the age of 65 participated in the survey.

#### 4.2.2 What makes a good cofounder?

Survey participants were asked to rate how important they think having a cofounder is for the success of the company on a scale from zero to 100 using a slider. Results show an average of 79 and a median of 82 with the lowest number being 29 and the highest 100.

When asked to select the reasons for wanting a cofounder, 62% selected different skill sets and task distribution, followed by division of responsibility with 55%, financial distribution with 52%, having someone to bounce ideas off of with 48%, and having someone with a different perspective, which was selected by 42%. Least selected were reduce risks, stress distribution, moral/emotional support, and investors require a cofounder.

The most frequently selected qualities a cofounder should possess are commitment with 76%, similar personality with 68%, and complementary skill set with 64%. This is followed by 54% of participants stating they would like a cofounder that is a team player and shows trustworthiness (54%) and having someone they already know

## How to Find a Cofounder

as a cofounder (48%). Willingness to take risks was selected by 31% of respondents, while someone with a different personality and someone they do not know came in last with less than 6%.

Survey participants were then asked whether they think skill or character is more important in a cofounder. On a slider from zero to 100 with 50 being a perfect balance between skill and character, an average of 66 was selected, showing a tendency towards character rather than skill. The lowest number was 16 and the highest 100.

### *4.2.3 Where to find a cofounder?*

Two separate questions were asked in regard to settings in which a suitable cofounder can be found. Firstly, respondents were asked how likely they are to recommend the fifteen settings introduced in the literature review on a matrix ranging from very unlikely to very likely. They were then asked through which of the settings they have eventually found their cofounder, if they are not currently looking for one. Phrasing the questions this way allows the researcher to gain a deeper insight into the respective setting. Asking respondents what they would recommend forces them to take on a different perspective.

The three most recommended settings are university, alumni networks, and personal network. 80% stated that they are likely or very likely to recommend personal network as a setting to find a cofounder. 63% of respondents are likely or very likely to recommend university and alumni network. Startup events such as accelerators are likely and very likely recommended by 51%. 67% of participants find it feasible or likely to recommend having a former coworker, competitor or customer as a cofounder, while the same is true for 60% in regard to hiring a freelancer who may later become a cofounder. 47% are likely to recommend working in a coworking space as a setting to find a cofounder.

In contrast, only 13% are likely or very likely to recommend non-startup related social settings, with 53% stating they are unlikely or very unlikely to. The setting cofounder matchmaking sites is rather divided, with 31% saying they are unlikely to recommend the setting, 32% saying it is feasible, and 26% saying they are likely to. Similarly, social media groups as a setting is only recommended by 27%, while 46% are either unlikely or very unlikely to recommend it, which is interesting given that the majority of responses originate from members of startup related social media groups.

## How to Find a Cofounder

The majority of respondents is unlikely to recommend job listing platforms as a setting to find cofounders (52%), though 27% believe it to be feasible. Similarly, 47% believe it unlikely or very unlikely they would recommend a networking platform such as *LinkedIn* to find a cofounder, while 48% find it feasible or are likely to recommend. Given that there seems to be a trend towards personal network as a setting, it is curious the statistic for networking platforms is so split and it would be interesting to see how participants connect with their personal network if not through networking sites.

Lastly, the settings that came in last are dating and religious institutions with 94% and 97% respectively saying they are unlikely or very unlikely to recommend it to find a suitable cofounder. Finding a cofounder by playing sports has a tendency towards unlikely and very unlikely, though 48% claim it to be feasible.

While 25% of survey respondents claim to still be looking for a cofounder at the time of the study, 34% state they have found their cofounder through their personal network of contacts. This is followed by alumni network (23%), startup events such as accelerators (10%), and university (9%). 6% have found their cofounder through a matchmaking site, while 5% found theirs through social media groups. The remaining settings each account for less than 5% of total respondents.

The following table summarizes the above-stated results in form of a ranking of the fifteen settings:

<b>Setting</b>	<b>Ranking According to Results</b>
<i>Personal Network</i>	1
<i>Alumni Networks</i>	2
<i>University</i>	3
<i>Startup Events (e.g. accelerators)</i>	4
<i>Cofounder matchmaking sites</i>	5
<i>Former coworker/customer/competitor</i>	6
<i>Hiring a freelancer who later became a cofounder</i>	7

## How to Find a Cofounder

<i>Working in a coworking space</i>	8
<i>Networking platform (e.g. LinkedIn)</i>	9
<i>Social media groups</i>	10
<i>Job listing platform</i>	11
<i>Social setting</i>	12
<i>Playing sports</i>	13
<i>Dating</i>	14
<i>Religious institution</i>	15

Table 6 Ranking of settings according to survey results

### 4.2.4 What causes cofounder tension?

To answer the third research question, two questions on cofounder tension were included in the questionnaire. Firstly, participants were asked to select whether they have experienced cofounder tension. Secondly, those respondents that selected “yes” were then asked to select all causes they think caused tension in their founding team from a predetermined list based on secondary research.

62% of participants stated they have experienced cofounder tension, while 38% of the total number of respondents had either not experienced tension or are still looking for a cofounder. Of those 62% that have experienced tension between cofounders, 59% selected incompatibility of personality and 52% selected lack of communication as a cause for tension. 32% selected lack of role assignment, which is closely followed by lack of shared vision with 29%. Conflict avoidance and poor stress management were selected by 24% and 23% respectively, while skill sets that are not complementary comes in last with 12%.

### 4.3 Hypothesis Testing

The following subchapters present the statistical testing of three hypotheses that were formulated by the researcher. It should be mentioned that rejected or accepted hypothesis are only applicable to the sample and not the entire population.

## How to Find a Cofounder

### 4.3.1 Hypothesis 1

The first hypothesis aimed to test whether there is a correlation between the age of participants and the setting through which they have found their cofounder. More specifically, whether they have found a cofounder through an online or offline setting.

*H0 = there is no linear relationship between age and type of setting*

*H1 = there is a linear relationship between age and type of setting*

In order to test this hypothesis data was recoded, and each setting was assigned either a 1 for online or a 2 for offline. Age groups were coded from 1 through 5. Those that have not yet found a cofounder were excluded from the data set and the sample size therefore decreased to  $N = 89$ . The Shapiro Wilk test was used to determine whether data is normally distributed, and results show it is not ( $p = .000$ ). Hence, a Spearman correlation test was conducted to analyze the relationship between age and setting. The resulting values show a positive correlation ( $p = .01$ ) with a medium effect size ( $r = .335$ ). It can therefore be concluded that age is an indicator for the setting chosen to find a cofounder and the null hypothesis can be rejected.

### 4.3.2 Hypothesis 2

The second hypothesis aimed to see whether age and the need for a cofounder are correlated. This was measured on a scale from zero to 100, with 100 being extremely important and zero being not important at all. Just as with the first hypothesis, age groups were coded 1 through 5. The full sample was used for this statistical analysis with  $N = 119$ .

*H0 = there is no linear relationship between age and the importance of cofounders*

*H1 = there is a linear relationship between age and the importance of cofounders*

The Shapiro Wilk test concluded that data is not distributed normally. Correlation analysis shows no significant correlation between age and how important they think

## How to Find a Cofounder

having a cofounder is with  $p = .128$  for the Spearman correlation. Hence, the null hypothesis can be accepted.

### 4.4.3 Hypothesis 3

The third and final hypothesis aimed to test the relationship between the type of business cofounder/business owner (cofounder of a startup vs cofounder of a small business) and how important they think having a cofounder is. The types of cofounders were recoded to include only those that are either founder of a startup (1) or those of a small business (2), while those that are still searching for a cofounder or are a former cofounder are not included. Hence, the sample size reduces to  $N = 77$ . As mentioned above, the importance of having a cofounder was measured on a scale from zero to 100.

*H0 = there is no linear relationship between the type of business owner and importance of a cofounder*

*H1 = there is a linear relationship between the type of business owner and importance of a cofounder*

First, the Shapiro Wilk test was conducted to see if data was distributed normally and results show  $p = .09$ , hence calling for a Pearson analysis to test the hypothesis. The Pearson test concluded a negative correlation with a medium effect ( $r = -.447$ ) and a significance of  $p = .01$ . This shows that cofounders of small/local businesses do not think it as important to have a cofounder than those of startups. Therefore, the null hypothesis can be rejected.

## 5. Discussion

The following chapter will discuss the findings presented in the previous chapter, with reference to the literature reviewed during secondary research. Similar to before, the *Discussion* chapter will be divided by research question. First, the question *What makes a good cofounder?* will be answered, followed by *Where to find a cofounder?*, and concluded with *What causes interpersonal tension between cofounders?*.

### 5.1 What makes a good cofounder?

#### 5.1.1 The Importance of Having a Cofounder

The importance of having a cofounder when founding a startup has been proven and discussed in various studies and journal articles alike (Chandler, Honig, & Wiklund, 2005; Bruno & Cooper, 2000; Ensley, Carland, & Carland, 2000; Gartner, Shaver, Gatewood, & Katz, 1994). Furthermore, all subjects interviewed for primary research have stated that having a cofounder is important to the success of the startup, while survey results show an average of 79 on a scale of zero to 100. However, a differentiation can be made between founders of a startup and those of a small business. It is crucial to take the type of business into consideration when evaluating the importance of having a cofounder. Starting a small business is less complex because it follows an established model of operations as opposed to working out a new business model and leveraging innovation (Briggman, 2020; McGowan, 2018; Bruno & Cooper, 2000; Shepherd & Patzelt, 2017). Hence, small businesses only require one founder as opposed to having a founding team of two or more. Moreover, statistical testing was conducted with the results from the online survey in order to see whether there is a linear relationship between the type of business and importance of having a cofounder. The result of statistical testing shows that founders of small businesses do not deem it as important to have a cofounder as founders of a startup, thereby supporting the above statement.

Literature shows that the ideal number of cofounders lies between two and four (Diakanastasi, Pramadari, & Karagiannaki, 2018), while interviewees state that there should be no more than three founders on the team. However, results from both primary and secondary research are in unison when it comes to the reasons a cofounder is important when launching a startup. Both show that having at least one cofounder when building a startup allows for increased availability of skills, as well as having multiple personal networks to reach out through (Cooney, 2005; Wasserman, 2012). It also brings

different perspectives to the table, which facilitates decision making and encourages a collaborative working style as it allows for brainstorming and therewith new ideas and solutions to problems. Additionally, having another person on the founding team helps with the psychological toll of founding a startup, as emotional support can be given, along with a division of responsibility. Finally, having a cofounder may also bring a financial benefit as additional capital can be brought in through cofounders (Bruno & Cooper, 2000; Wasserman, 2012).

### *5.1.2 Skills and Qualities a Cofounder Should Possess*

Due to the risky and competitive nature of startups, human resource requirements are rather distinct and demanding (Bursuk, Mladenow, Maarit Novak, & Strauss, 2016; Wasserman, 2012). Founders need to be able to perform a wide range of tasks and have diverse skills to scale up the startup quickly (Wasserman, 2012). Small businesses, on the other hand, have less demands when it comes to skills, due to them following a pre-existent business model. They usually have average-skilled employees and a higher turnover as skills are easily replaced (Bruno & Cooper, 2000).

The most significant point that can be found throughout literature and in primary research in terms of skills a founder should possess is a diverse, and complementary skill set among the founding team members (Diakanastasi, Pramadari, & Karagiannaki, 2018; Chen, 2013; Aven & Hillmann, 2017). Diversity of skills is crucial in order to push the startup forward, which all interviewees agree on. Similarly, 64% of survey takers selected different skill sets as the most important aspect they look for in a cofounder. In a simplified form, the best setup of a founding team is therefore to have one person build the product, while the other sells said product, as can be gathered from primary and secondary research. However, it is still important to assess whether the respective skill set should be hired or made a cofounder. While different stages require different skills, it can be concluded from primary research that skills in innovation management, operations, finance, marketing, and business development are the most crucial ones for the early success of the startup.

Literature shows that similar backgrounds of founding team members facilitates the development of working relationships due to more efficient communication, thereby increasing chances of running a startup successfully (Diakanastasi, Pramadari, & Karagiannaki, 2018; Perrone & Sedracek, 2008; Wasserman, 2012). While such

homogenous groups may show better communication, they may be less successful in the long-run due to a lack of diversity in skill sets and an overlap in human capital (Wasserman, 2012). However, *similar personality* was selected by 68% of survey takers as something they look for in a cofounder, and half of respondents stated they want someone they already know as a cofounder.

Results from primary and secondary research are in unison when it comes to characteristics a good cofounder should possess. The most frequently stated characteristics throughout the research study are willingness to take risks, being able to communicate, being able to motivate members of the team, and showing commitment. Furthermore, open-mindedness, confidence, and flexibility were mentioned frequently throughout literature, interviews, and in the questionnaire.

### 5.1.3 Team vs Idea

The value of a startup comes from its human capital and the way the idea is implemented, for which skill, knowledge, and personality are needed. Secondary research shows that investors prefer the team over the idea (Keller & Meaney, 2017; Y Combinator, 2020). This means that a strong team can execute a weak idea because it knows how to make the changes necessary to turn the idea into a successful one, while even a good idea cannot be executed well by a weak team that does not have the skills, expertise or personality it takes. This is further supported by the results of primary research, with the majority of interviewees stating the team is more important than the idea.

On the other hand, founders were asked in the online survey whether they believe skill or character to be more important and results show a tendency toward the latter. A correlation can be drawn to the finding discussed above, stating that the majority of survey takers prefers someone with a similar personality to their own as a cofounder. Though it takes personality for a team to be successful, it also depends on skill and knowledge. This leads to somewhat of a contradictory conclusion – if people with similar personalities make up a strong team and skill is not regarded as important, does the team still have what it takes to execute the idea successfully?

### **5.2 Where to find a Cofounder?**

#### *5.2.1 University*

Agreement can be found between primary and secondary research when it comes to the best setting to find a cofounder - two of the most frequently stated settings in literature are university and alumni network (Wasserman, 2012; Frankel, 2013). Survey results show that university and alumni networks are two of the most recommended settings. This can be attributed to the social nature universities show, giving students the opportunity to meet many people in a condensed setting with similar interests (Winley, 2015; Zhou, 2019). During their studies, students work on group projects, allowing them to assess their peers' strengths and weaknesses when it comes to academic work and identifying those that are not pulling their weight. These group projects can be regarded as trials for a possible future entrepreneurial team (Winley, 2015), therewith providing a positive chemistry and setting the team up for a successful future cooperation.

University as a setting is set out for people to network (Wasserman, 2012) and has students actively looking for like-minded people, people they get along with, and people they are able to work efficiently with, undoubtedly creating an ideal setting for meeting future entrepreneurial team-mates. However, it can also be argued that this creates a lack of diversity in skills (Perrone & Sedracek, 2008; Wasserman, 2012) due to students working on projects with peers in the same field of study. While they may meet outside of class, it is unlikely that a business student and an engineering student will work on a course-related project together. Moreover, primary research shows that it is not recommended to have close friends as cofounders, as they are usually not able to bring in different perspectives, while also sharing the same network. It is said that either the startup or the friendship will suffer. It should also be mentioned that not every core founder has had the opportunity to retrieve a university-level education and therefore form a network based on a university experience.

Finally, alumni networking events allow former students from different fields to connect and therefore provide an effective option to making new contacts or re-connecting with old ones, thereby tapping the middle circle (Wasserman, 2012). This lays out the necessary distance and familiarity at the same time to make a successful cofounding team.

### 5.2.2 Personal Network

The personal network includes family and friends to varying degrees (Frankel, 2013; Sajid, 2019; Wasserman, 2012). While 80% of survey takers would recommend personal network as a setting for finding cofounders and 40% of teams studied by Wasserman (2012) have family in the cofounding team, it can also be argued that having a friend or family as a cofounder creates a relationship dilemma (Wasserman, 2012). This is because only the inner circle of contacts is tapped, limiting the number of perspectives brought to the table and meaning cofounders have a strong relationship that is more susceptible to tension. Furthermore, startups have distinct human resource requirements and it is unlikely that those are found within the same circle of friends. While having someone you know well helps in the early stages of the startup by simplifying communication and building trust quicker, it also means a lack in stability (Wasserman, 2012). This will be further discussed in the next subchapter [\*What causes interpersonal tension between cofounders?\*](#).

While it is not recommended to have a partner or close friend as a cofounder (Wasserman, 2012), primary research, on the other hand, proposes not to have a complete stranger on the founding team. Results from the interviews are supported by the survey, which shows that half of survey takers want someone they already know as a cofounder. This could be because qualities of a cofounder play an important role in the formation of the startup, affecting the team chemistry (Lifshitz, 2019) and therefore the outcome of the startup. While skills can easily be assessed based on previous work experience, qualities and personality traits are not as easily identified and require getting to know the candidate.

It can therefore be concluded that neither a partner or close friend, nor a stranger should be made cofounder. Instead, it can be argued that the middle circle (Wasserman, 2012) provides an effective opportunity to meet a possibly good cofounder match because it provides the necessary distance along with opportunities to tap into new networks and acquire necessary skills through new talent. However, it should also be mentioned that social settings that are not related to the startup field and usually include meeting and socializing with both inner and outer circles are not recommended for finding a cofounder, based on survey results and leading to a somewhat divided conclusion.

### *5.2.3 Other Recommended Settings*

Startup related events such as accelerators, workshops, conferences, or hackathons are recommended by half of survey takers as a setting to find a cofounder. This setting is also mentioned in literature as a good way to meet possible cofounders (Murphy, 2014; Sajid, 2019). At a hackathon, for example, teams form and work on solving a problem together. Similar to university as a setting, this allows participants to go through somewhat of a trial (Zhou, 2019) and assess each other's strengths and weaknesses. This provides a good basis for a future cofounder relationship and positive team chemistry.

Another setting that is mentioned and recommended by interviewees is a professional one. 67% of survey participants would recommend having a former co-worker, competitor, or customer as a cofounder of a startup. Having already established a working relationship, professional settings provide a good basis for a cofounder relationship as strengths and weaknesses are already known, along with qualities and personality traits.

### *5.2.4 Settings that are not Recommended*

With some settings, the stance is not simply black or white. While cofounder matchmaking sites are gaining in popularity (Huspeni, 2013; Sajid, 2019; Zwilling, 2015), survey takers are rather divided when it comes to recommending them to find a cofounder. These sites may simply be too novel to provide a proper assessment as not many may have used them or known of them. It can be argued that cofounder matchmaking sites are an effective way of filtering out people with the exact skills set needed by the core founder and assessing those skills. However, as with other online settings, it is difficult to discern the candidate's personality and qualities as online settings may simply be too impersonal for such an influential decision.

Similarly, opinions are divided regarding social media groups as a setting as they hold both experts and scammers alike (Sajid, 2019). While being a member of a social media group can help build a network, one should be weary and always meet and get to know the candidate in person before making any propositions, as discussed in one of the interviews. Just like with cofounder matchmaking sites, the personality of the candidate cannot be assessed, and skills not necessarily validated, thereby creating a risk for the core founder.

## How to Find a Cofounder

Both job listing and networking platforms performed relatively poor in the survey with the majority being likely or very unlikely to recommend them as a setting. Similar to cofounder matchmaking sites and social media groups, only those things written on paper can be assessed, while a candidate's personality is best judged through face-to-face interaction. It is curious that founders are so unlikely to recommend networking platforms such as *LinkedIn* when a founder's network can be deemed as important to the success of the startup (Banerji & Reimer, 2019) and the personal network is seen as the best setting to meet a cofounder.

### *5.2.5 Offline vs Online Settings*

Throughout the research study, a tendency towards offline rather than online settings can be observed: personal network, university, and former colleagues/competitors/customers as a setting are all offline settings. Additionally, the four overarching types of entrepreneurial teams, as discussed by Cooney (2005), are all formed in an offline setting. As previously mentioned, this can be explained by settings such as cofounder matchmaking sites and social media groups being too impersonal and not allowing the core founder to assess the candidate's personality, which is crucial for the cohesiveness of the entrepreneurial team.

Moreover, statistical analysis of the survey data shows there is a correlation between the age group of the founder and through which type of setting he or she has eventually found his or her cofounder. This indicates that the older a founder is, the more likely he or she is to choose an offline setting, while the younger age groups are more likely to find someone through an online setting. This can be explained by a general tech-savviness among younger generations, who are also more likely to try out new ways of doing things (Business.com, 2020).

### **5.3 What causes Interpersonal Tension between Cofounders?**

Concurrence in results can be found when it comes to interpersonal tension between cofounders as the number one reason for early startup death and cause for 65% of startups to fail (CB Insights, 2019; Wasserman, 2012). This statistic is supported by results found in the interviews. Similarly, 62% of survey participants have experienced cofounder tension.

## How to Find a Cofounder

Based on secondary and primary research, it can be concluded that lack of communication, role assignment, and commitment are the most influential factors when it comes to cofounder tension and cohesion within the team (Bruno & Cooper, 2000; Diakanastasi, Pramatari, & Karagiannaki, 2018; Dizik, 2013; Winley, 2015). Lack of role assignment occurs when skills are not complementary to each other, deemed as the most important aspect to look for in a cofounder (Diakanastasi, Pramatari, & Karagiannaki, 2018). Additionally, as mentioned in literature and the interviews, a team leader needs to be able to communicate a vision and motivate people. A lack of vision, or different expectations, is therefore another factor that causes tension within the cofounding team. Vision and values are crucial to keep a team together (Baum, Locke, & Smith, 2001; Pirola-Merlo, Hartel, Mann, & Hirst, 2002; Teece, 2015; Diakanastasi, Pramatari, & Karagiannaki, 2018).

Furthermore, incompatibility of personality was selected by almost 60% of those survey respondents that claimed to have experienced cofounder tension, as well as stated as a reason for cofounder tension by interviewees. This explains the urge to have a cofounder with similar personality traits, as mentioned above. Homogeneity within the team promotes team spirit, which is crucial for cohesiveness and therefore the perseverance of the team as a whole (Perrone & Sedracek, 2008; Diakanastasi, Pramatari, & Karagiannaki, 2018). Heterogeneity within the team causes communication issues (Wasserman, 2012) and, hence, interpersonal conflict between cofounders. Like-mindedness and familiarity are furthermore facilitators for positive team chemistry, as discussed in the interviews. Moreover, results of primary research show that there is an emphasis on character before skill, which is arguably a way to promote cohesion within the entrepreneurial team.

## 6. Conclusion

After researching the topics of what makes a good cofounder, where to find one, and what causes cofounder tension, several conclusions can be drawn. While the topic of cofounders in startup ventures has not yet been thoroughly researched, it can be concluded that entrepreneurship and innovation are about collaboration, whether that is between departments of an established organization or between cofounders of a startup - it is crucial to have a cofounder when launching a startup. Furthermore, there are certain aspects to look out for when on the search for a cofounder, related to their skills as well characteristics, as they can help form positive chemistry within the entrepreneurial team and thereby reduce tension between founding team members. Team dynamics should not be underestimated when forming an entrepreneurial team, as they can make or break the startup.

Based on the data collected throughout this research study, the research questions can be answered as follows:

### *What makes a good cofounder?*

With the underlying presupposition that having a cofounder is crucial to the success of the startup, qualities such as being able to communicate a vision, being able to motivate people, being open-minded, confident, and a risk-taker make a good cofounder. A strong team of cofounders shows a diversity of skills, with one being able to build the product and the other running operations. Marketing and finance are further skills necessary to run a successful startup, at least until the business grows to such an extent that someone can be hired for those functions. While complementary skills are important, personality should also be taken into consideration when looking for a cofounder, as it facilitates communication between team members and encourages team cohesiveness.

### *Where to find a cofounder?*

Concludingly and to answer the research question *Where to find a cofounder?*, personal networks and particularly those that evolve out of a university experience show to be the most effective setting. This should, however, be taken with a grain of salt as not all types of relationships within one's personal network make for an effective cofounder. Research shows that close friends, as well as husband-and-wife teams should be avoided, even if they make the initial phases of the startup easier in terms of communication and trust.

## How to Find a Cofounder

Similarly, and as previously mentioned, complementary skill sets as well as different points of view should be present in any entrepreneurial team.

### *What causes cofounder tension?*

It can be concluded that having a similar personality facilitates cohesiveness within the team, while founding team members are still recommended to have complementary skill sets. Lack of communication is a common occurrence and can cause tension between team members, especially when problems are not addressed head-on. Having a shared vision and motivation is another facilitator for cohesiveness and allows for positive team chemistry, while also assuring successful operations of the startup.

### *Recommendations*

Several recommendations can be made based on the results of this research study.

R1: Have a cofounder when launching a startup. This will help with task management, stress distribution, as well as receiving funding as risks are reduced.

R2: Have someone from a personal network as a cofounder. While having a close friend or partner is not recommended, an acquaintance would be ideal, as well as someone whose work ethic is known.

R3: Cofounders should have complementary skill sets. This will help with task management and keeping costs down in the early stages.

R4: Have a cofounder that can motivate people, communicate their vision, is willing to take risks, and contributes to a positive team chemistry.

R5: Cofounders should have similar personalities. This will be particularly helpful in the early stages as communication is facilitated and stability within the founding team facilitated.

### *Limitations and Further Research*

The main limitation of this thesis is that the researcher is inexperienced and has limited practice in conducting academic research studies. Another limitation is the time constraint under which the researcher operated. This means that data was gathered in a time horizon of four months, thereby reducing the study to a snapshot and not taking changes into consideration. Furthermore, the majority of interviews were conducted in an impersonal

## How to Find a Co-founder

setting and in a written format, which means that it was not always possible to ask follow-up questions or clarify a statement made by the interviewee.

In terms of future research, it would be interesting to conduct a large-scale study with startups and follow them over a given period of time. Results would yield a more detailed image of the founding team setup; under what circumstances the team formed; whether they suffer from cofounder tension; what new talent they are hiring; etc.

## Appendix A

### Interview Guide: Oral

*Intro: throughout my Master studies in Innovation Management and Entrepreneurship, my classmates and I founded several hypothetical startups. While the process of launching a startup has always interested me, one aspect that particularly struck me is the formation of cofounder teams. According to Y Combinator cofounder Paul Graham, the number one death of early startup death is tension between cofounders. The question arises in which settings suitable cofounders can be found, and if/how this will have an impact on the cooperation between founders and hence the success of the startup.*

*As part of my research, I am conducting interviews with experts such as startup mentors, investors, or university professors, as well as surveys targeted at cofounders of startups in order to get both perspectives.*

### PART A: Interviewee Background

1. Please tell me a little bit about yourself. What is your background? What is your connection to or role in the entrepreneurial world?
  - a. Have you launched a startup before? Have you advised startups?

### PART B: the need of a cofounder, skill sets, qualities

2. Literature suggests that having a cofounder is crucial for launching a startup, and that a startup is more successful if there is more than one founder. What is your opinion or experience as a mentor/investor?
3. Literature suggests that cofounders need complementary skill sets. What is your opinion or experience?
4. What skillsets are crucial for cofounders in the initial formation? What skills make more sense to employ at a later stage or outsource?
5. What makes a strong team, in your opinion?
6. What qualities (in regard to personality and soft skills) should founders possess?
7. What do you think is more important: the team or the idea?
8. At which point during the launch of a startup does it make sense to bring in a cofounder?

**PART C: where to find a cofounder**

9. Where would you advise founders to look for a cofounder?
  - a. What do you think of University as a setting to meet cofounders?)
10. Would you rather advise a founder to find a person they know as a cofounder or someone they do not yet have a connection with (stranger)?
11. In your experience, is it easier to find a cofounder online or offline?

**PART D: Cofounder Tension**

12. Literature suggests that 65% of startup fail because of interpersonal tension between cofounders. What is your opinion or experience?
13. What do you think causes this cofounder tension specifically?

END OF INTERVIEW: ask interviewee if there is anything else they would like to add.

## Appendix B

**Interview Guide: Written**

*Intro: Throughout my Master studies in Innovation Management and Entrepreneurship, my classmates and I founded several hypothetical startups. While the process of launching a startup has always interested me, one aspect that particularly struck me is the formation of cofounder teams. According to Y Combinator cofounder Paul Graham, the number one death of early startup death is tension between cofounders. The question arises in which settings suitable cofounders can be found, and if/how this will have an impact on the cooperation between founders and hence the success of the startup.*

*As part of my research, I am conducting interviews with experts such as startup mentors, investors, or university professors, as well as surveys targeted at cofounders of startups in order to get both perspectives.*

*The questions are open-ended and there is no word limit for the comment boxes. You can start the questionnaire and finish it at a later time or edit answers by clicking on the original survey link.*

## How to Find a Cofounder

*You can reach me via email at [sarahl9@ru.is](mailto:sarahl9@ru.is) if you have any questions or further comments.*

*Thank you for participating.*

1. Please start by stating your name (leave out if you wish to stay anonymous) and telling me a little bit about yourself. What is your background? What is your connection to the entrepreneurial world?
2. Literature suggests that having a cofounder is crucial when launching a startup, and that a startup is more likely to be successful if there is more than one founder. What is your opinion or experience as a mentor/investor?
3. Literature suggests that cofounders need complementary skill sets. What is your opinion or experience?
4. What skill sets are crucial for cofounders in the initial formation? What skills make more sense to employ at a later stage or outsource?
5. What makes a strong team, in your opinion?
6. What qualities (in regard to personality and soft skills) should founders possess?
7. What do you think is more important: the team or the idea? Why?
8. Where would you advise founders to look for a cofounder and why?
9. What do you think about having someone as a cofounder you do not know yet? Would you rather advise founders to find someone they already know as a cofounder? Why?
10. Literature suggests that 65% of startups fail because of interpersonal tension between cofounders. What is your opinion or experience? What do you think causes these tensions specifically?

## Appendix C

### Online Survey

*Intro: Throughout my Master studies in Innovation Management and Entrepreneurship, my classmates and I founded several hypothetical startups. While the process of launching a startup has always interested me, one aspect that particularly struck me is the formation of cofounder teams. According to Y Combinator cofounder Paul Graham, the number one death of early startup death is tension between cofounders. The question*

## How to Find a Cofounder

*arises in which settings suitable cofounders can be found, and if/how this will have an impact on the cooperation between founders and hence the success of the startup.*

*As part of my research, I am conducting interviews with experts such as startup mentors, investors, or university professors, as well as surveys targeted at cofounders of startups in order to get both perspectives.*

*The survey is completely anonymous, and replies cannot be traced to an individual.*

*Thank you for participating!*

### \* 1. You are...

- cofounder of a startup (growth-oriented business)
- cofounder of a local business (e.g. hair dresser, photography studio, plumbing)
- looking for a cofounder
- a former cofounder (business was sold or failed)

Other (please specify)

### \* 2. How old are you?

- Under 18
- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65+



## How to Find a Cofounder

Networking platform (e.g. LinkedIn)	<input type="radio"/>				
Former competitors / customers / partners	<input type="radio"/>				
Regular dating	<input type="radio"/>				
Religious institution	<input type="radio"/>				
Playing sports together	<input type="radio"/>				
Working in a coworking space	<input type="radio"/>				
Hiring a freelancer that might become a cofounder	<input type="radio"/>				

\* 6. Through which of the following settings have you eventually found a cofounder?

- |  |   |
|--|---|
| <input type="checkbox"/> University  | <input type="checkbox"/> Networking sites (e.g. LinkedIn)                       |
| <input type="checkbox"/> Alumni networks   | <input type="checkbox"/> Former competitors / customers / partners              |
| <input type="checkbox"/> Personal contacts   | <input type="checkbox"/> Regular dating   |
| <input type="checkbox"/> Social settings (e.g. parties / get together, not related to the startup scene) | <input type="checkbox"/> Church   |
| <input type="checkbox"/> Cofounder matchmaking sites (CoFoundersLab & co)                                | <input type="checkbox"/> Playing sports together                                |
| <input type="checkbox"/> Social media groups   | <input type="checkbox"/> Working in a coworking space                           |
| <input type="checkbox"/> Startup events (e.g. accelerators, workshops, conferences)                      | <input type="checkbox"/> Hiring a freelancer that eventually became a cofounder |
| <input type="checkbox"/> Job listing platforms   | <input type="checkbox"/> Still looking for a cofounder / not applicable         |

Other (please specify)

\* 7. What do you think is more important in a cofounder: skill or character?

Skill	<input type="range"/>	Character
-------	-----------------------	-----------

## How to Find a Cofounder

\* 8. What are you looking for in a cofounder? (Select all that apply)

- |   |  |
|---|--|
| <input type="checkbox"/> Complementary skill set                  | <input type="checkbox"/> Agile                           |
| <input type="checkbox"/> Personality that is different from yours | <input type="checkbox"/> Trustworthy                     |
| <input type="checkbox"/> Personality that is similar to yours     | <input type="checkbox"/> Willing to take risks           |
| <input type="checkbox"/> Hard working                             | <input type="checkbox"/> Not a people pleaser            |
| <input type="checkbox"/> Team player                              | <input type="checkbox"/> Someone with lots of experience |
| <input type="checkbox"/> Committed                                | <input type="checkbox"/> Someone you already know        |
| <input type="checkbox"/> Can speak different languages            | <input type="checkbox"/> Someone you do not know yet     |

Other (please specify)

\* 9. Have you ever experienced cofounder tension?

- Yes
- No / not applicable

10. If so, what caused the tensions? (Select all that apply)

- |  |  |
|--|--|
| <input type="checkbox"/> Lack of role assignment               | <input type="checkbox"/> Resources (time, money) not invested equally                  |
| <input type="checkbox"/> Skill sets that are not complementary | <input type="checkbox"/> Lack of communication   |
| <input type="checkbox"/> Incompatibility of personality        | <input type="checkbox"/> Conflict avoidance by e.g. brushing problems under the carpet |
| <input type="checkbox"/> Not having the same (business) goals  | <input type="checkbox"/> Poor stress management  |

Other (please specify)

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