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DECEMBER 2019

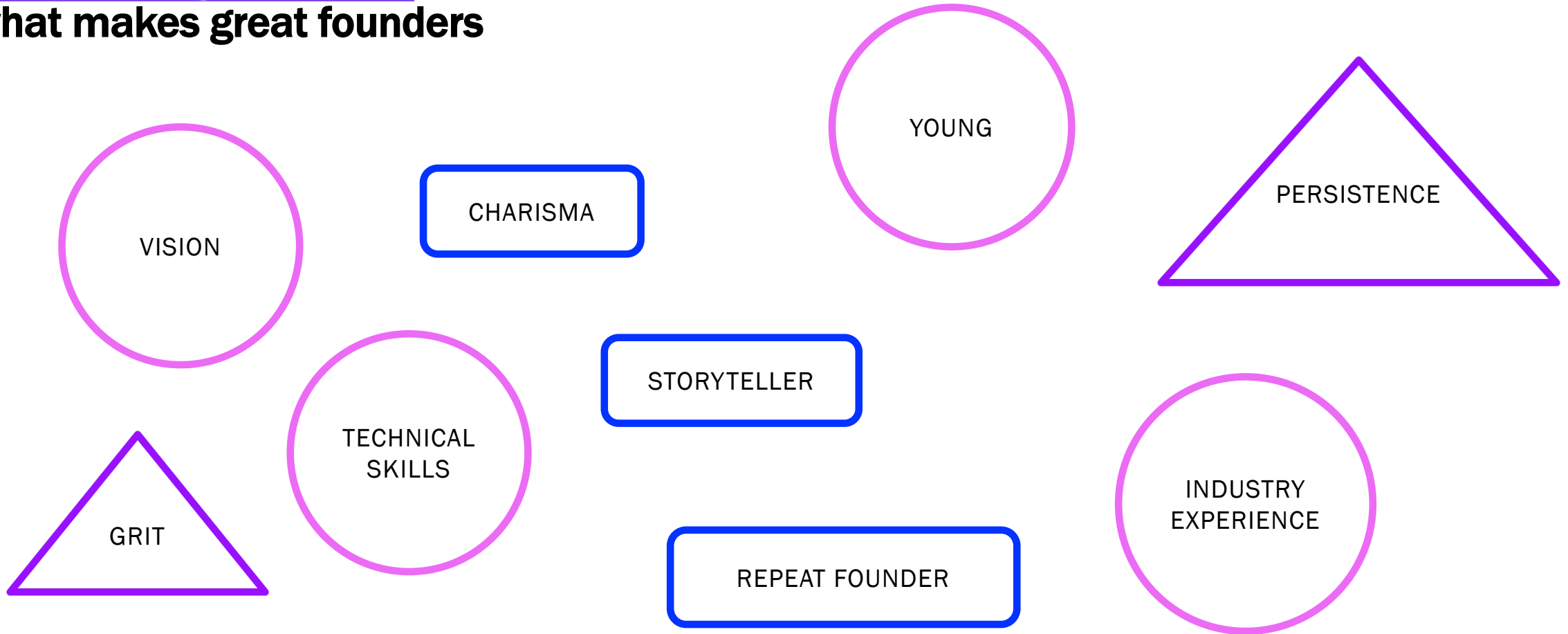
What makes a successful founder?



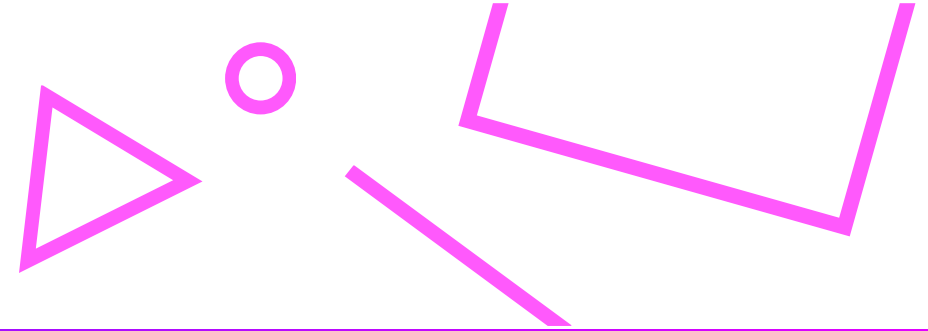
**BASIS SET
VENTURES**

WHAT MAKES A SUCCESSFUL FOUNDER

VCs have many theories
on what makes great founders



*We set out to explore this key question.
We collected data on 60+ founders from their
early stage investors who know them well.*



METHODOLOGY

Data collection

- Data on 61 founders have been collected, including 70% enterprise and 30% consumer startups in SaaS, FinTech, PropTech, e-commerce, healthcare, and legal industries across all stages¹
- Surveyed VCs represent \$40B+ in AUM and invest in both enterprise and consumer companies. Majority are general partners of early stage funds or experienced angels

Definitions

- Founders that are doing well include: had an IPO, raised substantial amount of funding, large acquisition
- Founders that are not doing well include: company shut down, stagnant growth, getting acquired for a small amount of money

Data analysis

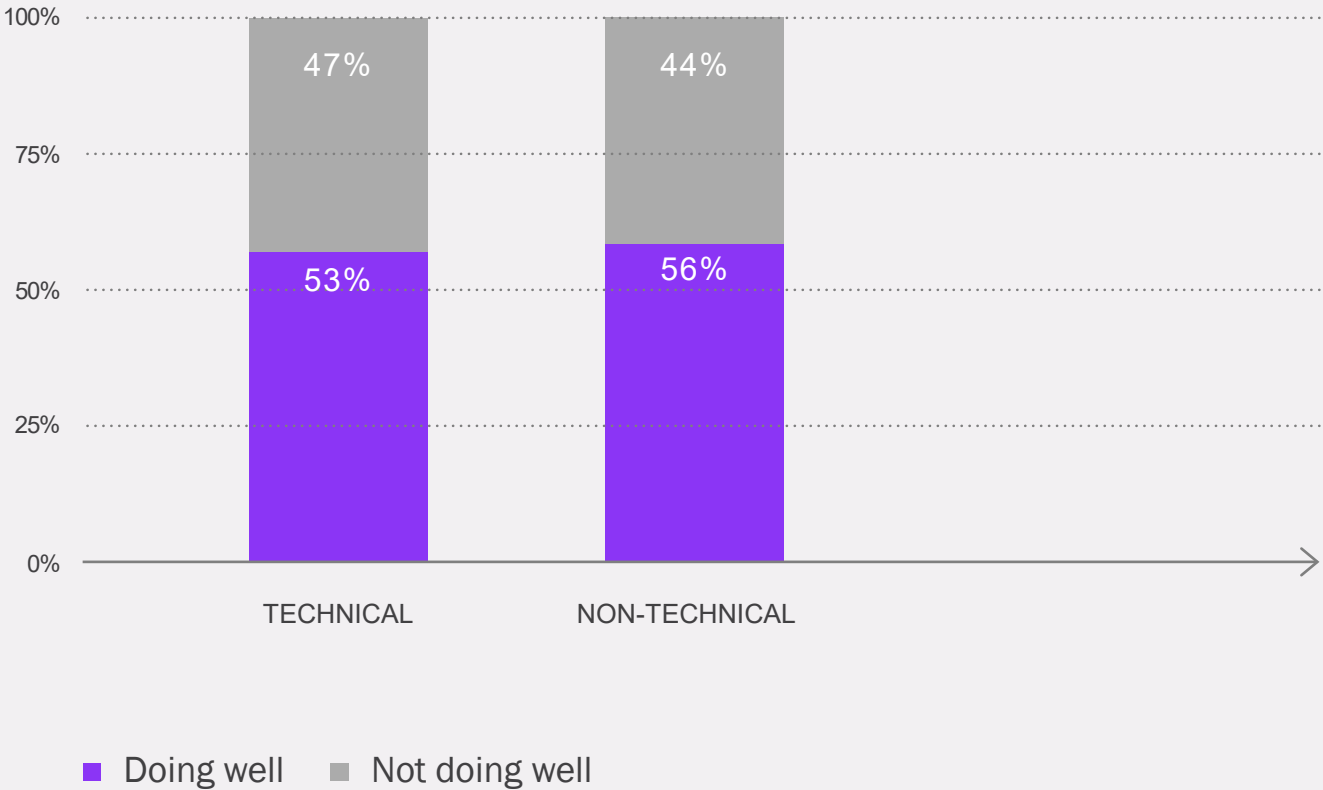
- We asked 28 questions about demographic, attitudinal traits and experience
- Attitudinal statements are rated on a 0-6 scale, 0 being strongly disagree and 6 being strongly agree
- We performed a hierarchical cluster analysis to find similar clusters within the data and discovered archetypes for founders²

1. QUESTIONS IDENTIFYING SPECIFIC FOUNDERS WERE OPTIONAL, SO THAT RESPONDENTS WOULD FEEL COMFORTABLE TO BE OPEN AND HONEST. THESE STATISTICS ARE BASED ON DETAILS THAT HAVE BEEN PROVIDED.
2. WE ARE PRESENTING INITIAL FINDINGS FROM AN EARLY AND LIMITED DATASET. WE ARE CONTINUING TO COLLECT DATA TO REFINE AND UPDATE RESULTS REGULARLY.

WHAT MAKES A
SUCCESSFUL FOUNDER

Whether a founder/CEO is
technical does not differentiate
company success.

FOUNDER SUCCESS
BY TECHNICAL SKILLS

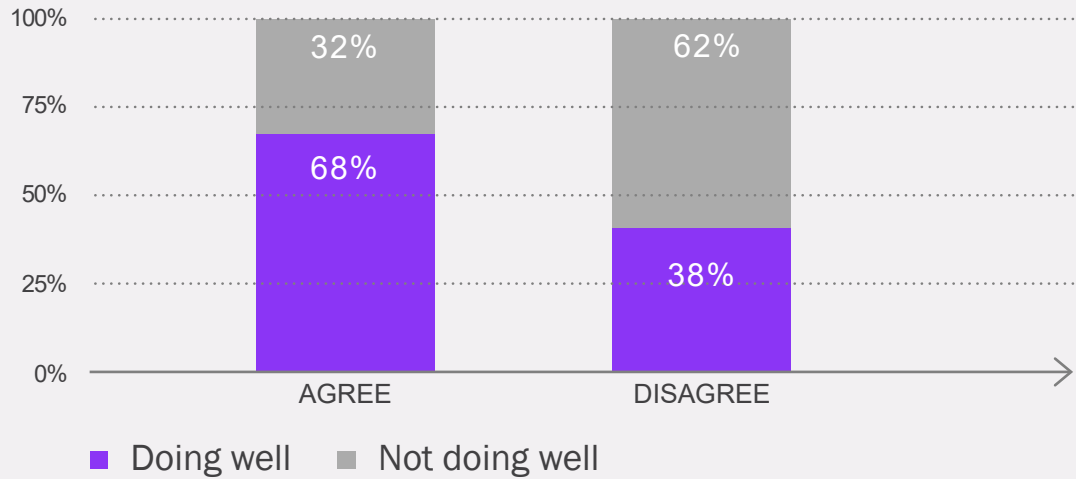


WHAT MAKES A
SUCCESSFUL FOUNDER

However, having a complementary cofounder, often a technical one, is correlated with success.

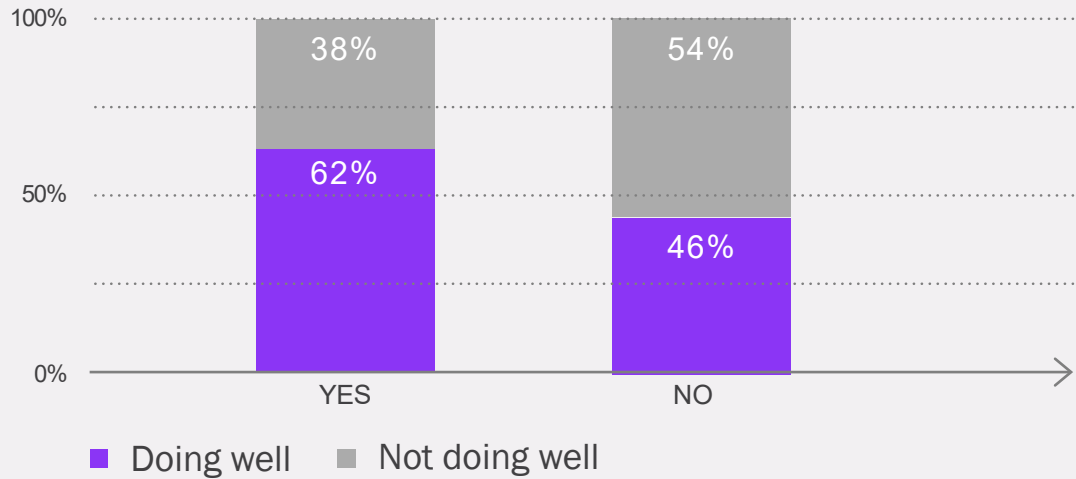
>> *The best founders know their strengths and weaknesses and recruit a complementary team.*

FOUNDER HAS A COFOUNDER
WITH COMPLEMENTARY TRAITS



68% of VCs rated founders that had a complementary cofounder as "doing well"

FOUNDER HAS A
TECHNICAL COFOUNDER



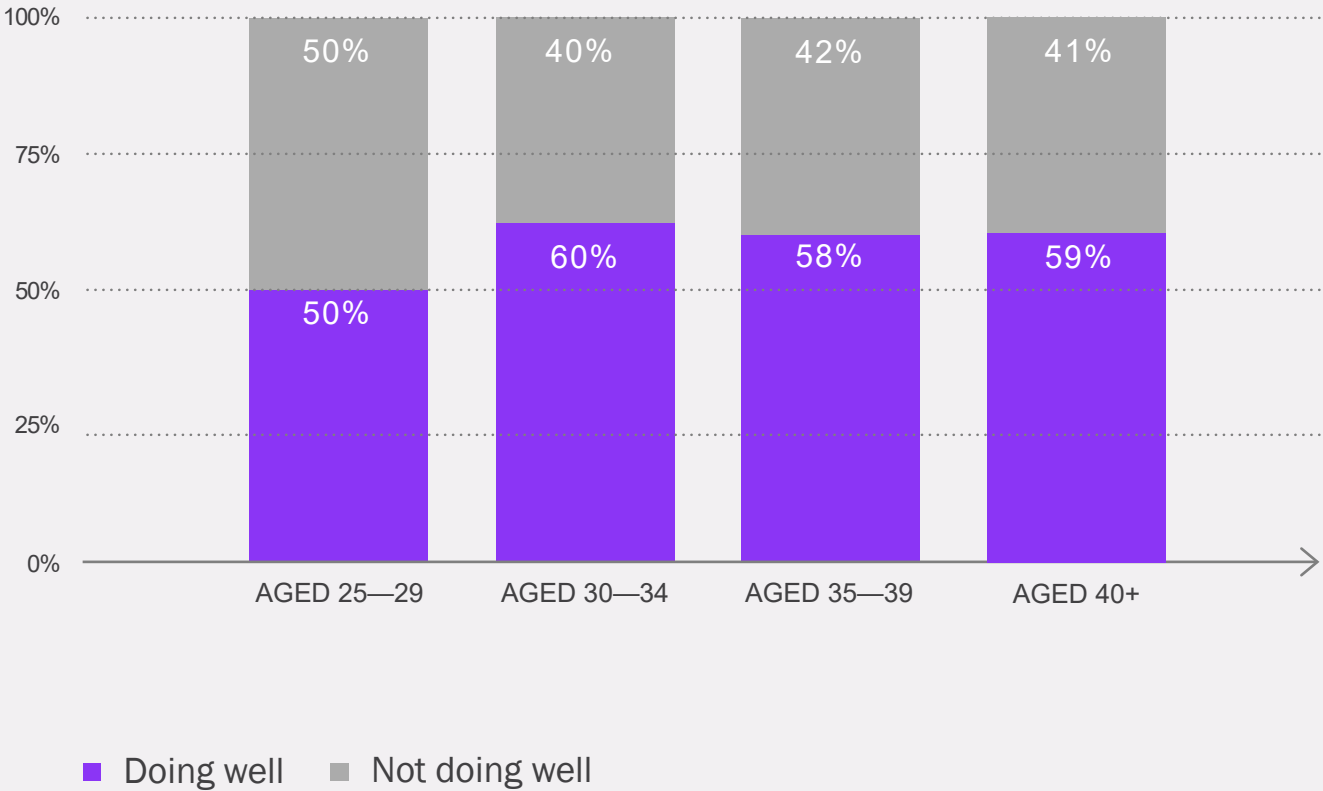
62% of VCs rated founders that had a technical cofounder as "doing well"

WHAT MAKES A
SUCCESSFUL FOUNDER

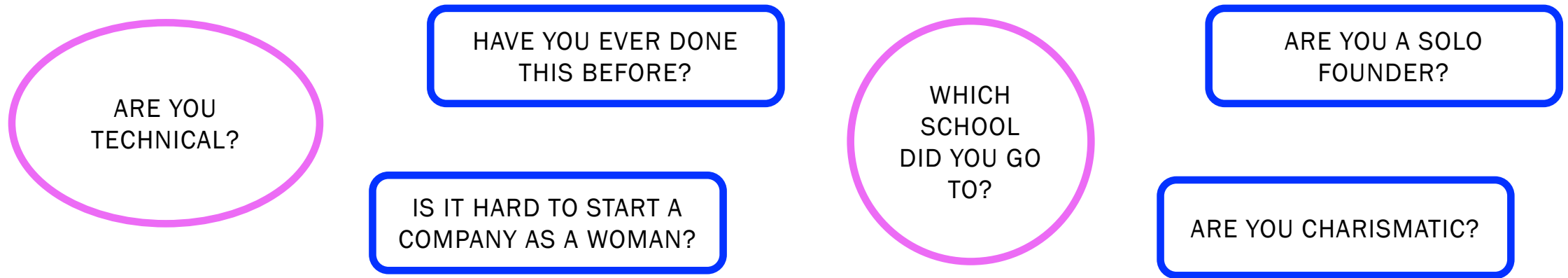
Founders of all ages can
be successful.

>> *With every successful 25-year-old
founder, we can find one that is over
40, and vice versa.*

FOUNDER SUCCESS
BY AGE*



We often judge people too quickly based on obvious signals:



**Sometimes we are right, but oftentimes we are not.
People are complex and we tend to like others who are similar to us.**

Let's look at what the data says...

We want to evaluate the most critical aspects of what makes a great founder.

We asked early investors, who have followed and supported founders from the initial stages, to rate founders on several attitudinal traits:

AGILE THINKING

"Founder is able to rapidly seek and incorporate external market signals."

CONFIDENCE

"Founder shows extreme confidence."

DAY-TO-DAY EFFECTIVENESS

"Founder runs his/her company effectively day-to-day."

FOUNDER-MARKET FIT

"Founder has an advantage in his/her market."

HUMILITY

"Founder shows extreme humility, whether he/she is confident or not."

RESULTS-DRIVEN

"When making decisions under uncertainty, founder tries many possible solutions quickly and finds the best one."

QUICK LEARNER

"Founder learns quickly and doesn't make the same mistake twice."

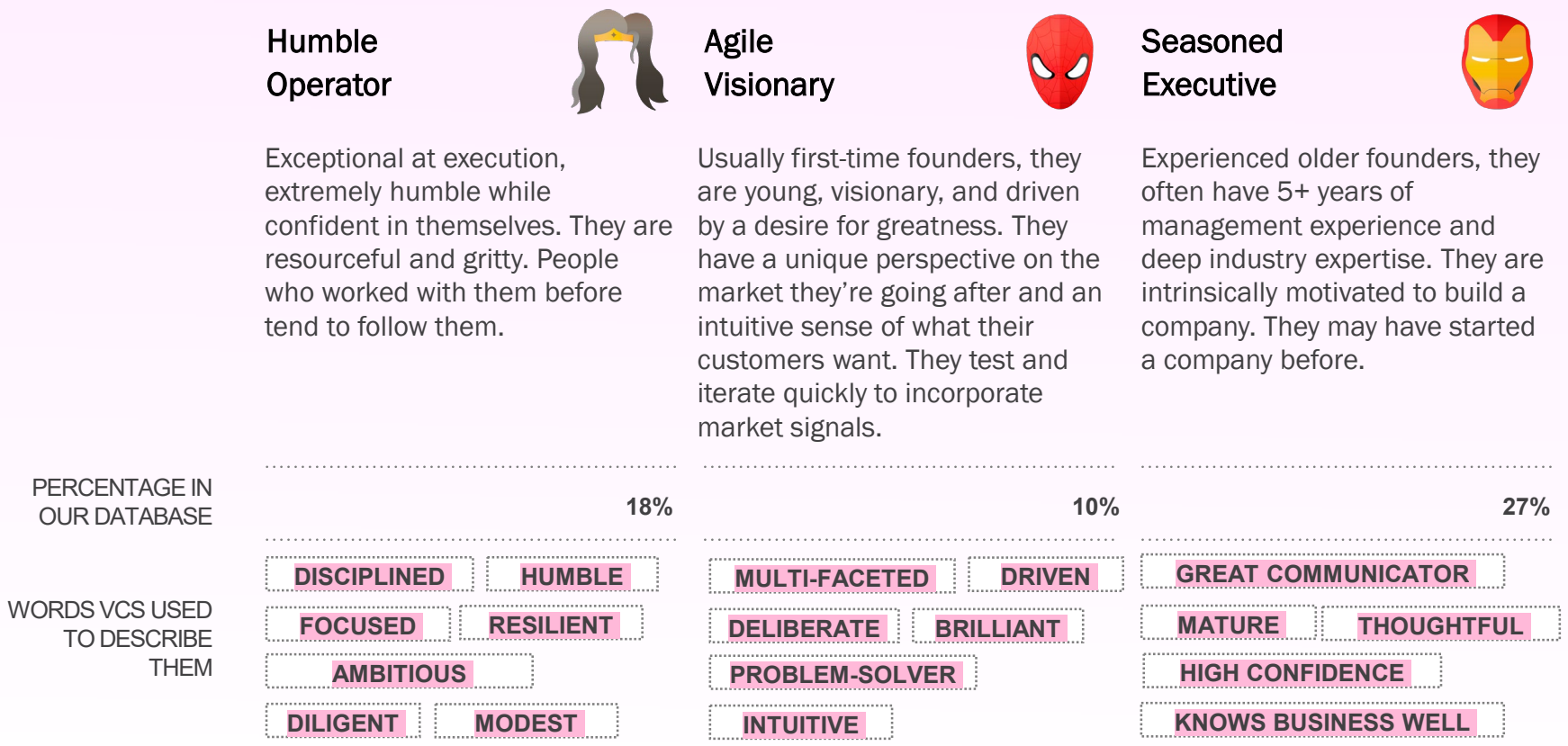
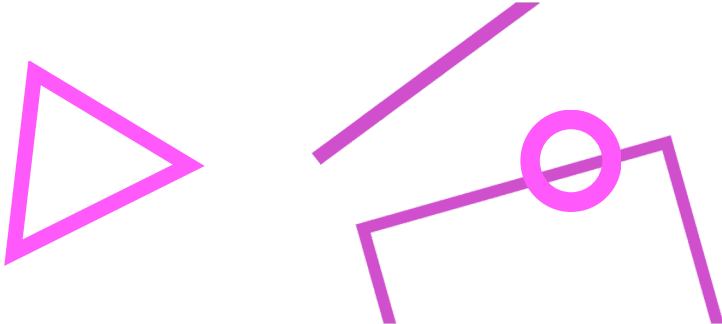
SCRAPPY

"Founder is scrappy and resourceful."

STORYTELLING

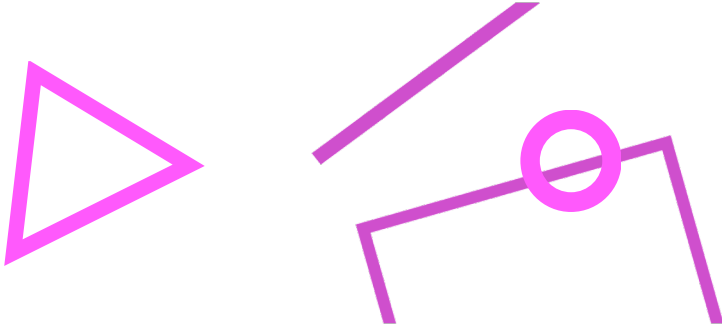
"Founder is able to tell compelling narratives."

We discovered three archetypes of successful founders that cluster around certain characteristics...



Successful is defined as had an initial public offering (IPO) or large acquisition, substantial follow-on investments, etc.

...as well as three archetypes of founders who have been struggling.



Passionate Outsider



Usually first-time founders, they are humble and hard-working. However, they don't have good founder-market fit and don't have a complementary cofounder to rectify this gap.

Overconfident Storyteller



Charismatic, compelling, and have high confidence. They are likely to be solo founders and they are often not humble.

Stubborn Individualist



Slow to adapt to learnings from the market and not empathetic to what the customers want. They are not good at articulating a convincing narrative.

PERCENTAGE IN OUR DATABASE

10%

23%

12%

WORDS VCS USED TO DESCRIBE THEM

- EARNEST
- YOUNG
- DRIVEN
- RISK-AVERSE

- CONDESCENDING
- BAD MANAGER
- SALESMAN
- VISIONARY
- LACKS FOCUS

- STUBBORN
- POOR LISTENER
- ROBOTIC

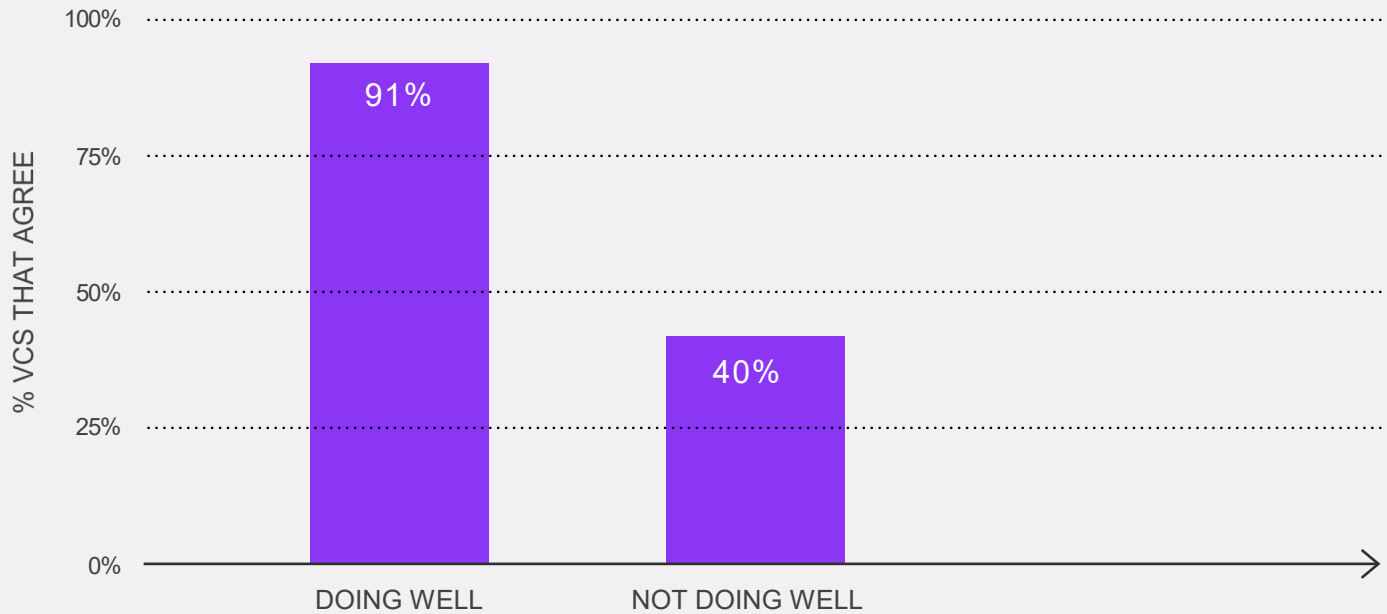
Not successful is defined as company shut down, had trouble growing, was acquired for a small amount, etc.

WHAT MAKES A
SUCCESSFUL FOUNDER

Across all archetypes,
day-to-day effectiveness
is highly correlated
with success.



FOUNDER RUNS HIS/HER
COMPANY EFFECTIVELY DAY-
TO-DAY

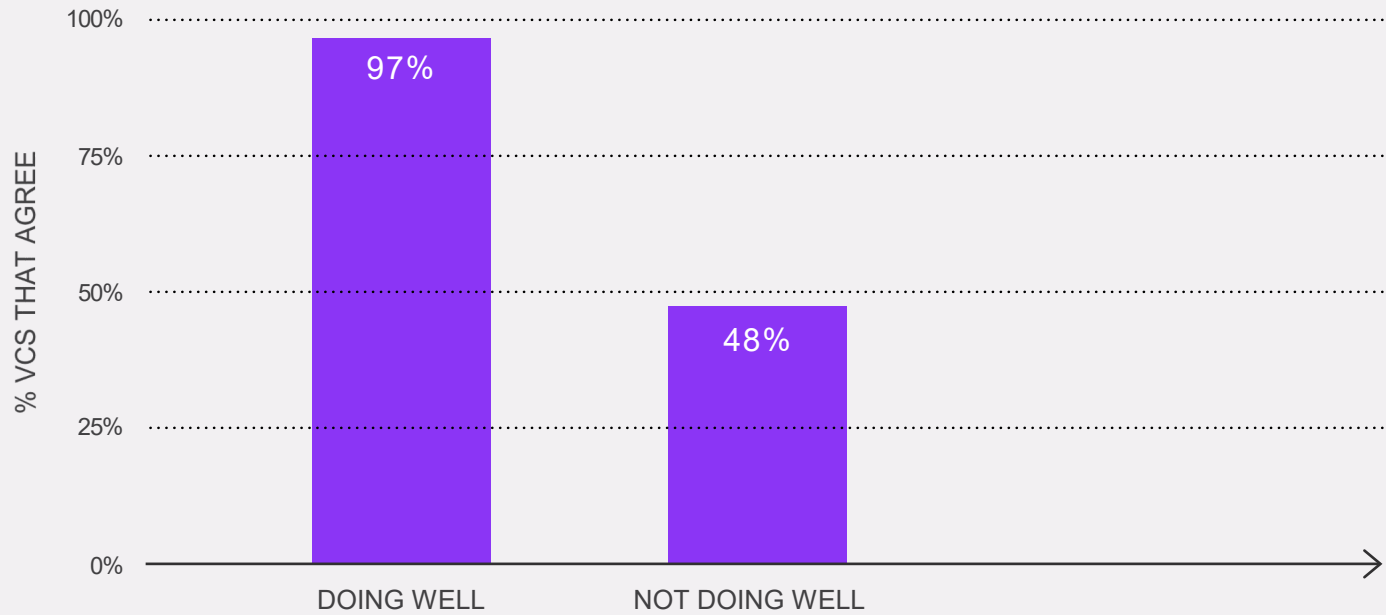


WHAT MAKES A
SUCCESSFUL FOUNDER

Also important to success
is whether the founder
learns and adapts quickly.



FOUNDER IS A QUICK LEARNER

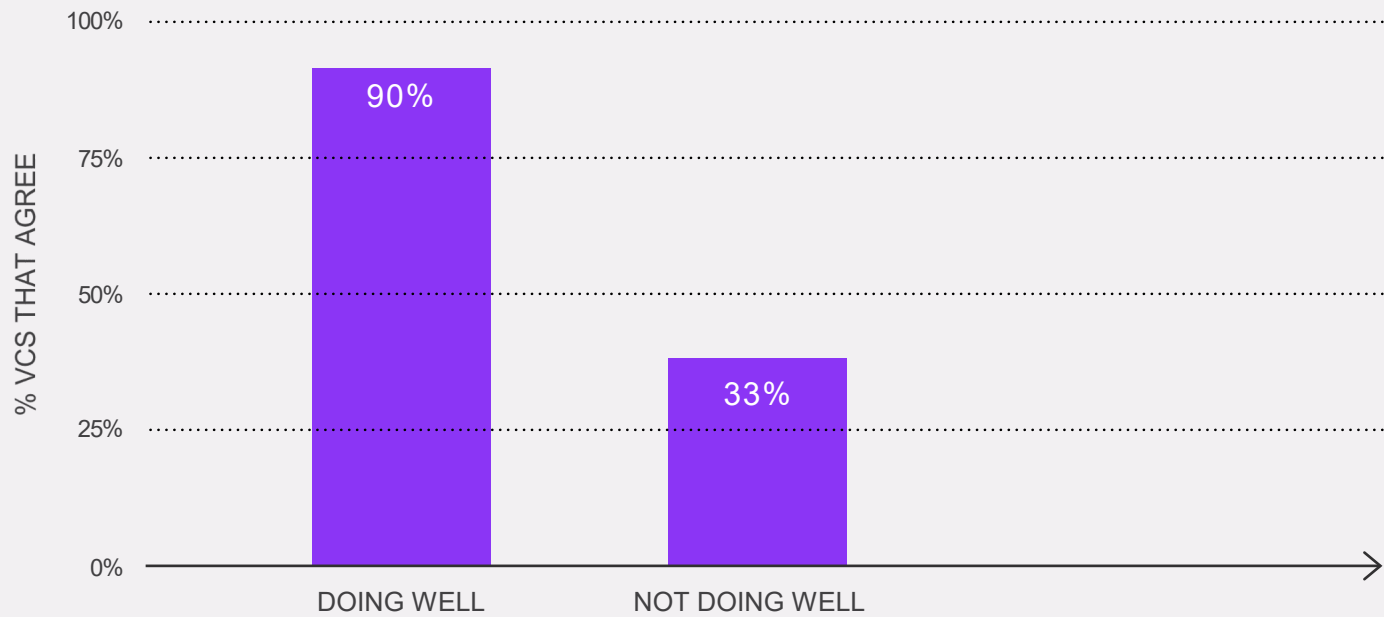


WHAT MAKES A
SUCCESSFUL FOUNDER

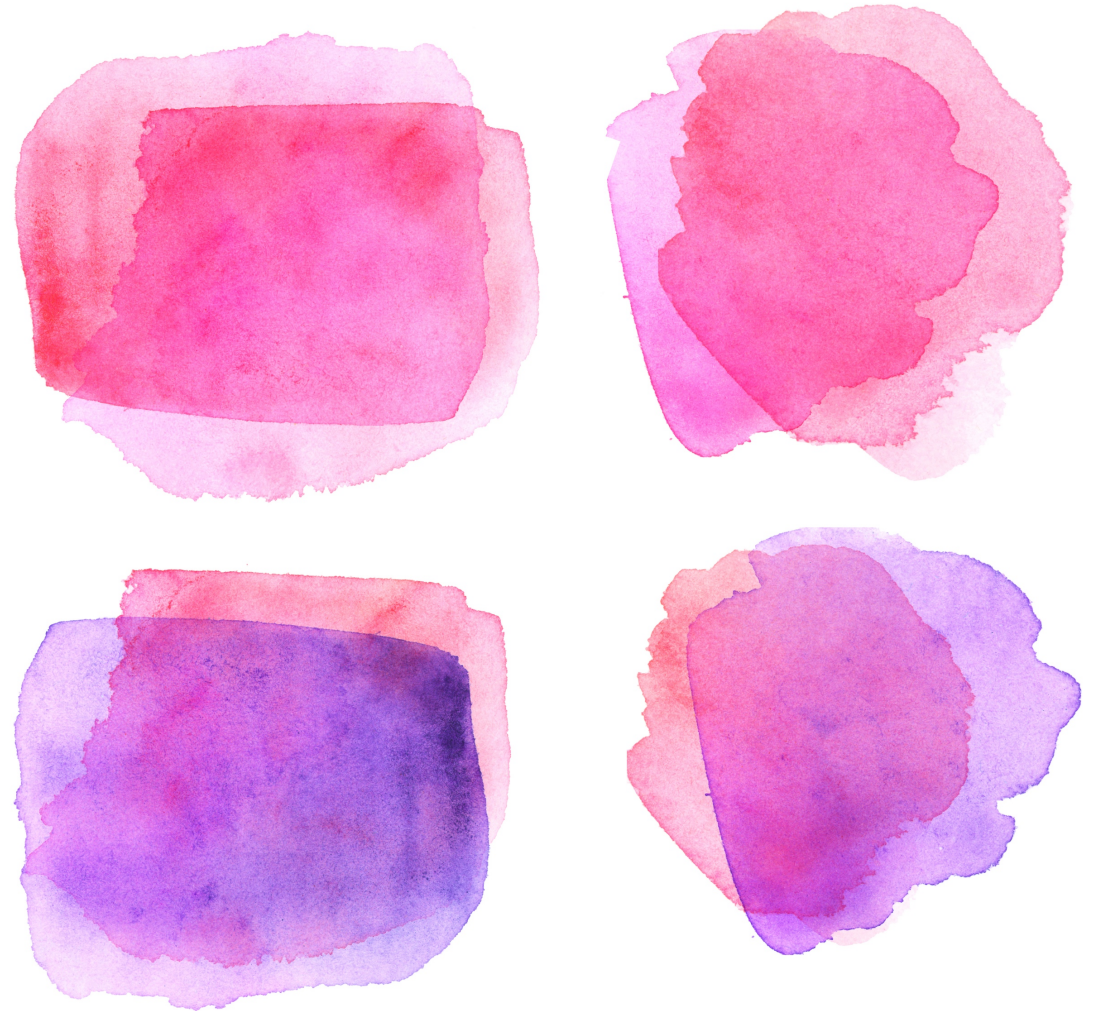
When making decisions under uncertainty, successful founders tend to be results-driven. That is, they try many possibilities to quickly find a solution.



FOUNDER IS RESULTS-DRIVEN



**Why do similar founder archetypes
have diverging outcomes?**



WHAT MAKES A SUCCESSFUL FOUNDER

Founders that tell compelling stories tend to have an easier time fundraising, recruiting, and marketing. When a company is not much more than a pitch deck, getting people to take a leap of faith vitally important.

Why aren't all great storytellers successful entrepreneurs?

“““

*The most powerful person
in the world is the storyteller.
The storyteller sets the vision,
values and agenda of an entire
generation to come.*

— Steve Jobs, Apple

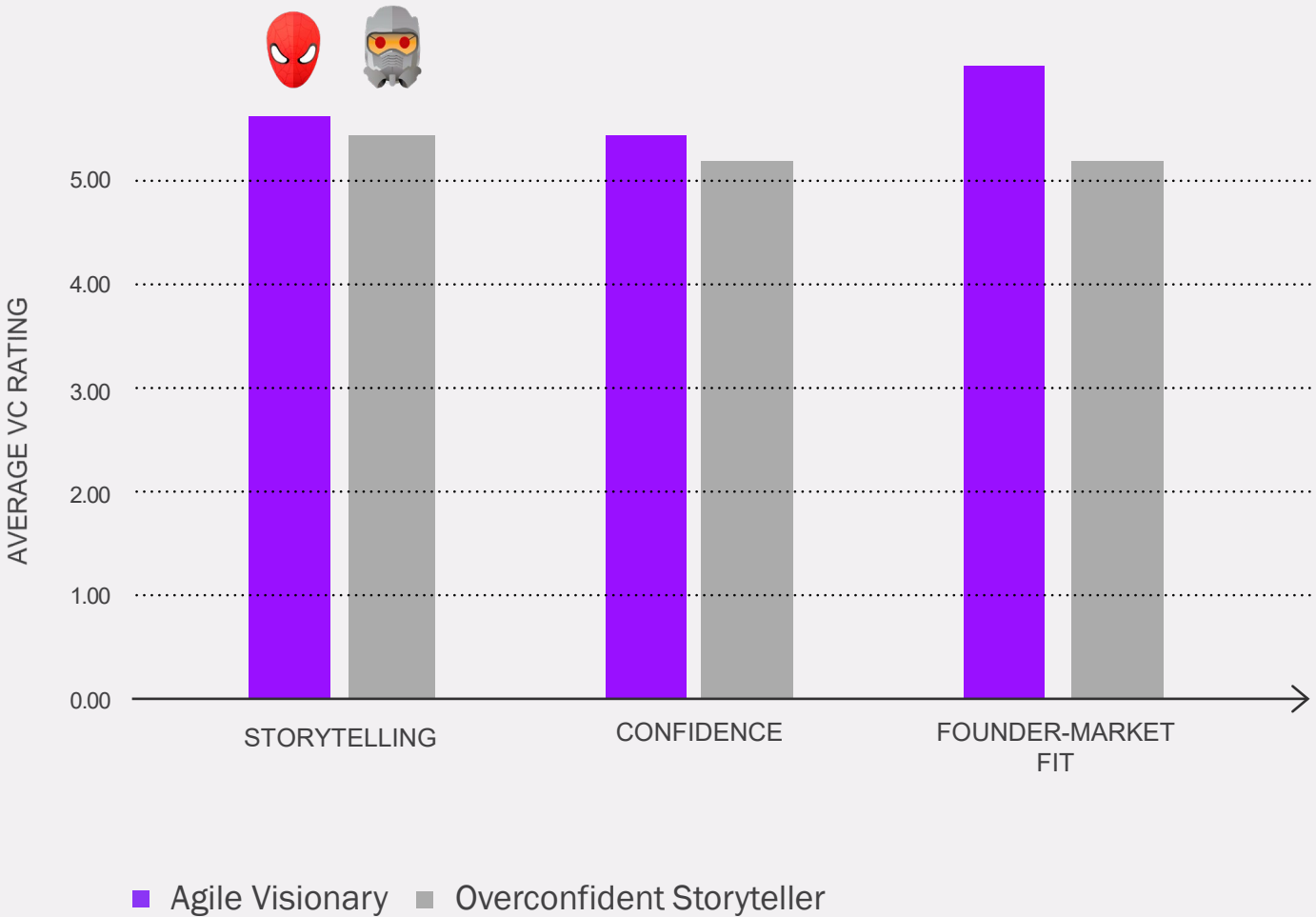


WHAT MAKES A
SUCCESSFUL FOUNDER

For founders who are strong
storytellers, highly confident,
and uniquely advantaged in
their market...

Why are some successful
(Agile Visionaries) and others
are less so (Overconfident
Storytellers)?

AGILE VISIONARIES AND OVERCONFIDENT
STORYTELLERS SHARE SEVERAL TRAITS

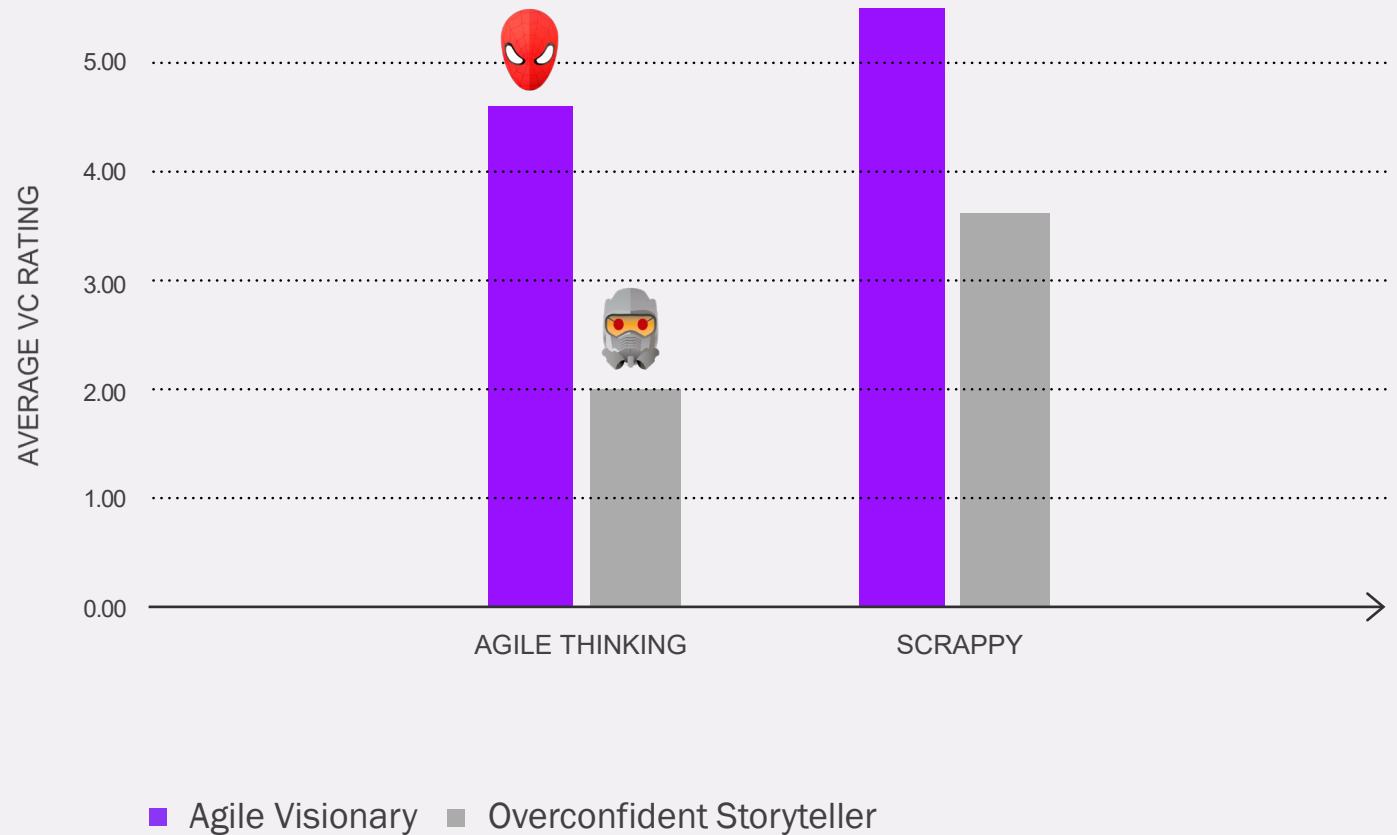


WHAT MAKES A SUCCESSFUL FOUNDER

Successful storytellers are also scrappy and agile thinkers. They execute day-to-day (Agile Visionaries).

However, when great storytellers get too enthralled in their own vision, they can't adapt to market needs and often fail to find product-market-fit (Overconfident Storytellers).

AGILE VISIONARIES AND OVERCONFIDENT STORYTELLERS DIFFER ON TWO TRAITS



WHAT MAKES A SUCCESSFUL FOUNDER

Some of the most successful IPOs in 2019 are founded by the most humble and hardworking entrepreneurs such as Eric Yuan of Zoom, and Oliver Pomel and Alexis Lê-Quôc of Datadog. But not all hard-working, humble and persistent founders are successful, why?

“““

*Working hard, that's the only thing I know better than my competitor. There are so many more smart people than me here in Silicon Valley. [...]
If my competitors say, 'I work eight hours a day,' then I can work 10 hours. If you don't need sleep, I also do not need sleep. Hard work is in my DNA.*

— Eric Yuan, Zoom

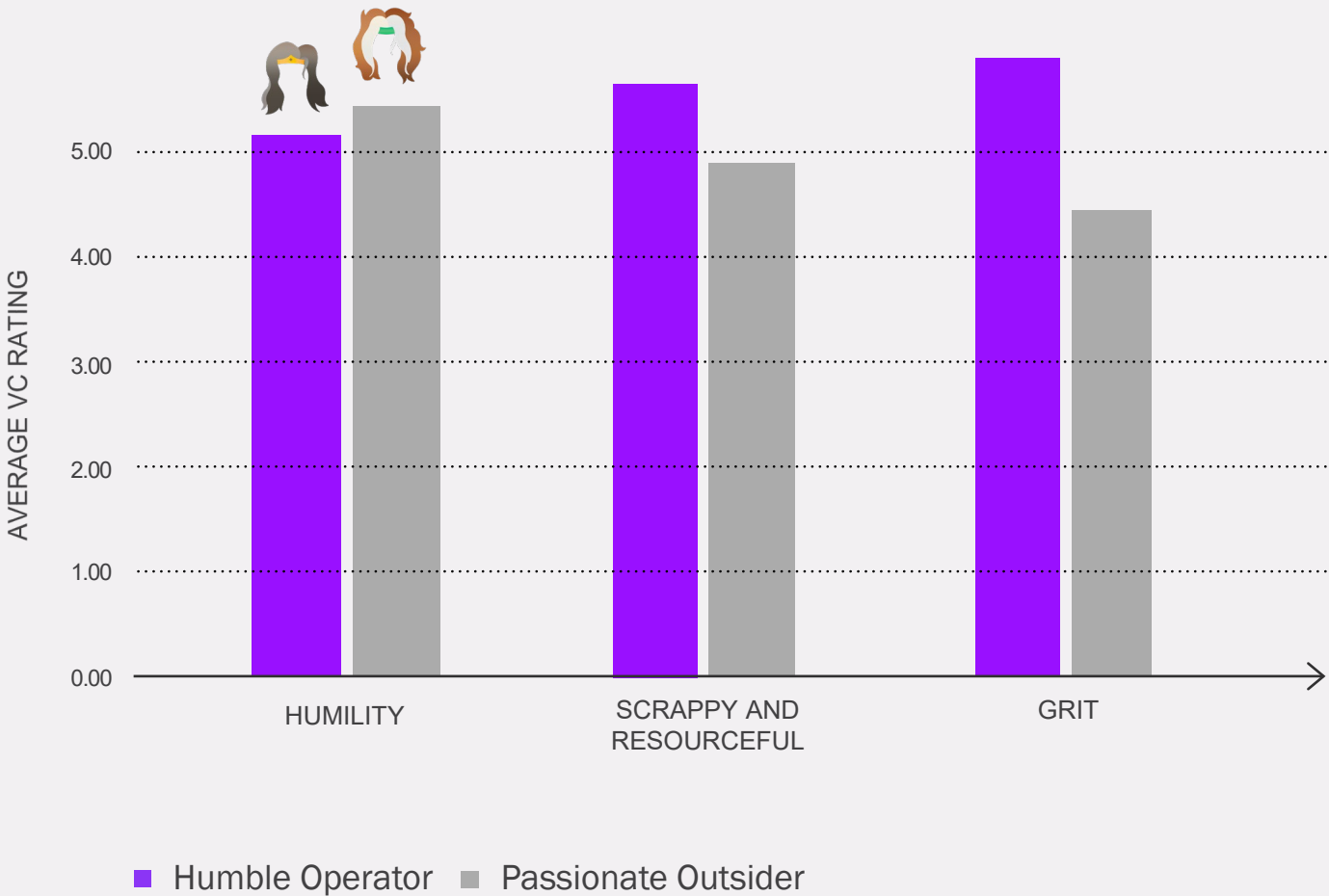


WHAT MAKES A
SUCCESSFUL FOUNDER

For founders who are humble,
scrappy, and gritty...

Why are some successful
(Humble Operators) and others
are less so (Passionate
Outsiders)?

HUMBLE OPERATORS AND PASSIONATE
OUTSIDERS SHARE SEVERAL TRAITS

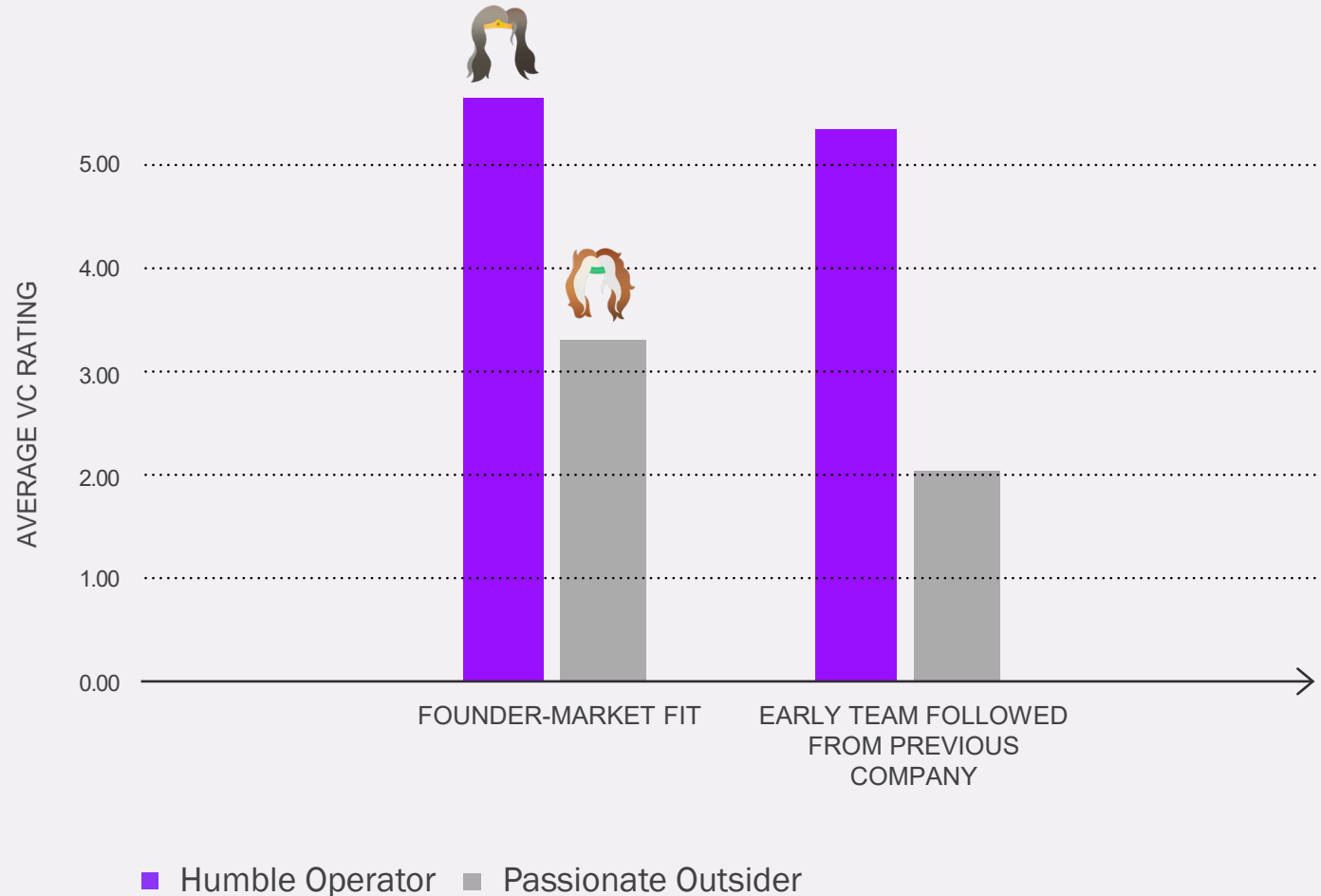


WHAT MAKES A SUCCESSFUL FOUNDER

When hard work combines with strong founder-market fit and an early team that follows them from a previous company, the companies tend to take off (Humble Operators).

Unfortunately, gritty entrepreneurs still struggle when they do not have a unique advantage in the market they are pursuing nor a way to bridge this gap (Passionate Outsiders).

HUMBLE OPERATORS AND PASSIONATE OUTSIDERS DIFFER ON TWO TRAITS



WHAT MAKES A SUCCESSFUL FOUNDER

IS IT BAD TO BE STUBBORN? NOT NECESSARILY.

The sixth archetype, “stubborn” is the most frequent descriptor from their VCs. When stubborn is coupled with “not scrappy,” “indecisive,” or “not able to confront realities,” a company struggles.

However, some of the most successful founders like Steve Jobs and Jeff Bezos are notoriously the most stubborn. They go through walls to make an idea work. We found when stubborn is coupled with the following characteristics, entrepreneurship shines:

TRUE VISIONARY

EFFECTIVE DAY-TO-DAY

RESULTS-DRIVEN

LEARN FAST

BUILD STRONG TEAMS

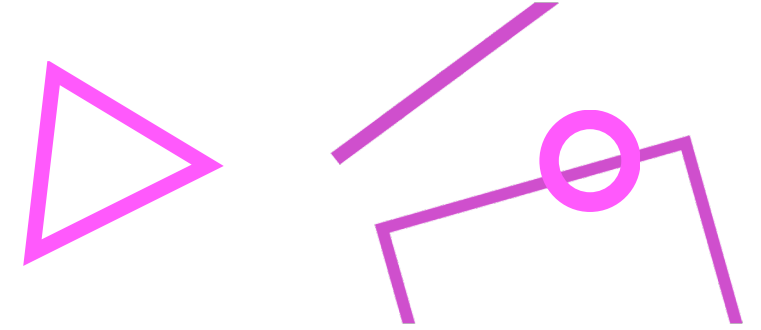
“““

We are stubborn on vision. We are flexible on details....We don't give up on things easily. Our third-party seller business is an example of that. It took us three tries to get the third-party seller business to work. We didn't give up.

—Jeff Bezos, Amazon



Counter-intuitive concepts you may not realize...



Founder Vision vs Customer Empathy

It is great when a founder has high confidence, except when it prevents them from empathizing with customers. A great founder has a strong vision and is also incredibly empathetic to users to find product-market-fit.

Principled vs Agile thinking

Agile thinking, or rapidly seeking and incorporating external market signals, is an important quality. It is not in conflict with being principled and persistent in pursuing the vision. In fact, the best founders think from first principles and iterate quickly based on market feedback to find product-market fit.

Confidence vs Humility

Confidence and humility are two different dimensions. One can be very confident yet very humble. At the same time, low humility and high ego does not necessarily spell doom. Many successful entrepreneurs have big egos, such as Agile Visionaries.

WHAT MAKES A SUCCESSFUL FOUNDER

Our early takeaways

The technical founder requirement is a venture trope. Founders should instead focus on recruiting complementary skillsets that match the product being built and the market being disrupted.

It does not matter how old you are; founders of all ages can be successful.

Small day to day tasks add up and either paint a picture of a successful, fast-learning, results-oriented founder or a struggling process-oriented one.

Confidence and humility are two different dimensions. One can be very confident yet very humble (low ego). Humble Operators is one of our highest performing archetypes.

Low humility doesn't necessarily spell doom—so long as the founder adapts to market feedback and iterates quickly.

Investors often over-index on confident storytellers, missing the importance of agility and scrappiness in execution.

Confidence is an asset for founders in fundraising, recruiting and sales, but overconfidence becomes a liability when it prevents founders from truly empathizing with customers.

Blindly channeling Steve Job's infamous stubbornness won't make your company the next Apple. Persistence without agility and scrappiness is a path to failure.

Most successful founders work hard and have grit, but not all founders who work hard and have grit are successful. The difference between success and failure for hardworking founders often hinges on founder-market fit.

Our job as a seed stage investor is to look for brilliant entrepreneurs when their success is not yet obvious. As their partners, we hope to look beyond the most obvious signals and spend time with each founder to understand his or her unique journey and support them the best that we can.

We hope our research sheds some light on some of the areas we can spend time to understand in order to be the best partners to a founder. Each founder is unique, as is his or her journey. We still have much to learn, please help provide feedback and contribute to our future research.

1. Founders, [tell us what your superpowers are](#)
2. Investors, contribute to our research by [adding data points of founders you've invested in](#)
3. Everyone, [sign up to receive practical resources](#) that we will release next year, including a founder typing tool and updated reports to help founders and VCs