

## Co-Founder Development

### From pre-founder to MVT (Minimum Viable Team)

One of the most prevalent trends we identify within the global Startup Weekend community is that founders have a hard time attracting and validating great co-founders. All too often we hear, "I need to find a technical co-founder" or, "I can't find anyone to work on my idea."

In the early stages, ideas are worth nothing more than one's ability to execute on them. Having the right team is the single most important factor attributing to a startup's success. In this paper, we will propose an actionable approach to finding and securing your initial minimum viable team (MVT)

**Actionable for** : Early stage entrepreneurs **Type**: Formal

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# 1. What Is A Founder?

Everyone knows what a founder is - right? Our experience proves otherwise. Often times, individuals consider themselves founders without a certain level of self-awareness. We strive to establish a basic level of understanding to avoid perpetuating the myth that anyone can be a startup founder. Before diving into our practical approach, we must first understand and agree on definitions for what exactly constitutes a founder in a startup company. Noam Wasserman (based on Howard Stevenson's definition of entrepreneurship) proposes the following definition of a founder: "Individuals who start new organizations to pursue opportunities."

In this paper, we will be utilizing the following definition<sup>1</sup>:

**▶ "FOUNDERS ARE INDIVIDUALS WHO  
CREATE, EXECUTE, AND INVEST IN  
IDEAS TO TURN THEM INTO STARTUPS" ◀**



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<sup>1</sup> That this does not oppose Noam's definition, we are just exploring what is behind "starting" a new organization.



## A. Co-Founder vs. Solo Founder

Noam Wasserman observed that only **16.1%** of the startups he studied were solo-funded. Teams of multiple founders have different dynamics than single-founder startups, according to Martin Ruef in his book, *The Entrepreneurial Group* (2010).

The potential value of a startup in the earliest stages is whatever the founders possess, whether it is talent, passion, time, money, etc. In our definition, investment is not only financial; it is an act of devoting time, effort, or energy to a particular undertaking with the expectation of a worthwhile result. We therefore consider that founders carry the potential value of their startup.

### Ideas & Ownership

A solo founder will have 100% of the idea (keep in mind, they are able to execute on it), or in the case of a company founded by two people (A and B), co-founder A can own most of the idea (70%) while co-founder B owns the remainder (30%). This is an abstract concept and it does not necessarily translate easily in reality, but it is important to realize that an idea is not necessarily owned by one founder.

### Particular Scenario: The First Employee(s)

An Employee is a person hired on salary. First-hires can have some significant control over the initial idea/be a part of the MVT - the main difference is that an employee is paid; i.e., they are capturing monetary value. Early employees are key to the success of a startup, but we will distinguish them from the co-founders. There are cases where early-stage employees could be considered founders -- typically when they decide to work for free (investing their time and creating "sweat-equity") -- while having a significant control of the startup's core idea.

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## B. More Than an Idea

For most pre-founders we meet (In our hometown of Seattle, WA or more generally, anywhere there is a Startup Weekend), the idea seems to be the main focus, and people can spend months or even year “working” on their ideas. This poses problems, as we observe that most of these pre-founders remain at this idea phase, unable to execute on it. We want to remind potential co-founders that when sharing ideas, individuals are also pitching their talents and their passions. Ideas are merely a great vehicle to identify problems that exist - and the potential solutions hint at how someone might be able to bring a unique insight based on their abilities or experience. We strongly believe that founders should be willing to give up control of some of their idea and open it to others, allowing them to execute on it.

Strategy, as defined by Alfred D. Chandler (1962)<sup>2</sup>, is “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.” At an early stage (pre-startup and startup), the initial idea can be changed without too much difficulty as the business model/organization, etc. is still highly flexible. Therefore, we identify the startup idea as a precursor of an organization strategy.

As defined earlier, the individuals who create, execute, and invest in startup ideas are called founders. A startup idea is a weighted sum of the initial ideas brought by each co-founder.

### NOTE

*Commonly, founders romanticize their ideas, causing many difficulties in the search for a co-founder. By definition, a founder owns some of the original startup idea, but looking for a co-founder without being open to alterations in the original idea is extremely difficult. Like all other forms of capital, one should be ready to put one's idea on the negotiation table.*

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<sup>2</sup> Strategy and Structure: Chapters in the History of the American Industrial Enterprise

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## C. The Minimum Viable Team (MVT)

Steve Blank's definition of a startup is as follows:

"A startup is an organization formed to search for a repeatable and scalable business model"

This definition is about potential high growth organizations only (firms that have a scalable business model) versus the more classical definition of a startup: "a business created less than 5 years ago." Economists might still prefer the more "measurable" Birch's definition of a "Gazelle."<sup>3</sup>

Steve Blank's definition implies the existence of a (very) capable team. To clarify this observation, we would like to introduce to you what we see as an outcome of co-founder development: A *capable* team. This capable team is a pre-requisite to both Steve Blank's and Eric Ries' methodologies (*The Lean Startup* and Customer Development).

In this paper, and for convenience with other existing concepts, we will refer to this "capable team" as a Minimum Viable Team (MVT), which is defined as follows:

► **"A MVT is a group of people able to execute on an idea "** ◀

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<sup>3</sup> "a gazelle has to grow at least 20% a year for four years, from a base of at least \$100,000 in revenues"



As we just explained, a MVT is a necessary precursor to a startup. Note that by definition, there is a link between an idea and execution, and therefore an MVT is a relative concept depending on its environment. We can also develop a Reductio ad absurdum argument: If you can't execute on an idea then you don't have an MVT, and therefore you can't build a startup.

Below is a list of questions that illustrate the thought process using the MVT concept:

a. **Is your team the smallest possible?** (typically, at a startup weekend, if you have 8 people, what is the minimum combination of people you'll need to develop an idea (the constrain is on the idea)? Pushing the math, if you aim for a MVT of 3 people, you will have 56 combinations possible! What is the best one? Note that the best one will be a MVT, but not all MVTs will be the best.

You can also reverse the concept. Instead of pivoting around an idea, you can pivot around the team itself.

b. **What ideas could you develop** within the set of competences that your team represents? This is not the usual way to create a startup, but it might actually be a very efficient one. This scenario is useful if, for example, 3 friends decide to create a startup together (the constrain is on the team).

c. **Who do you need to add or remove to get your MVT?**

We let you extend this concept to your own environment (with caution) -- we've been testing it, and it's become a very useful piece of vocabulary to drive pre-founders toward getting real!

WARNING: HAVING A MVT IS A NECESSARY CONDITION, NOT A SUFFICIENT ONE. WE TRUST OUR READERS TO UNDERSTAND HOW THIS CONCEPT WORKS.

## 2. Co-Founder Development

Now that we have established a common vocabulary and made some fundamental observations, let's see how we propose to use that knowledge to build (*a priori*) a more stable founding startup team (unless you want to stay alone).

We borrow some of the vocabulary from the Customer Development Methodology, as one can relate several of the tactics and thought processes applied to an idea in Customer Development to people in Co-Founder Development Methodology.

### A. Self-Awareness



As we see in 1.A (co-founders vs. solo-founders), founders carry the potential value of their startup. This initial founder capital is diverse and includes time, talent, ideas, financial investment (on average \$25,000<sup>4</sup>), and other non-financial assets (IP, a product, etc.). The first step is to list what "real" assets you are bringing to the table. This is what we call self-awareness, and if you don't have enough assets, start building them before going further (study, save, etc...).

The art of finding a co-founder is, in a way, an art of trade -- an exchange of assets with the goal of building the best team possible: The sought-after "Dream Team."

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<sup>4</sup> Chance and Intent (2012 David L. Bodde / Caron H. ST. John), p31



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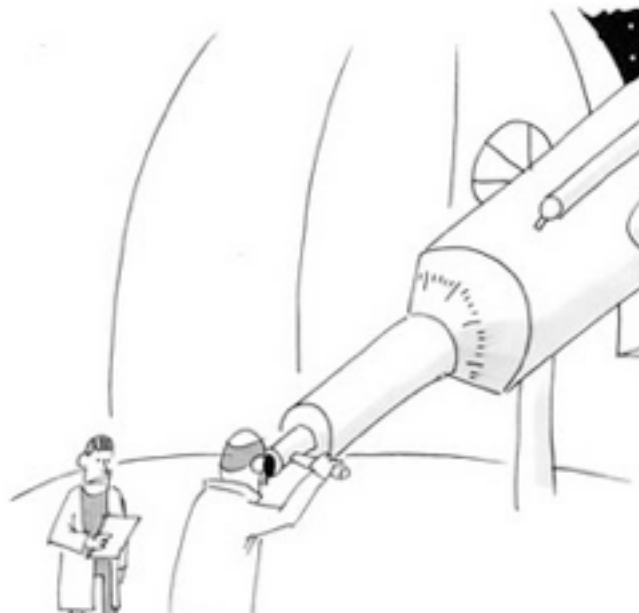
## B.Co-Founder Discovery

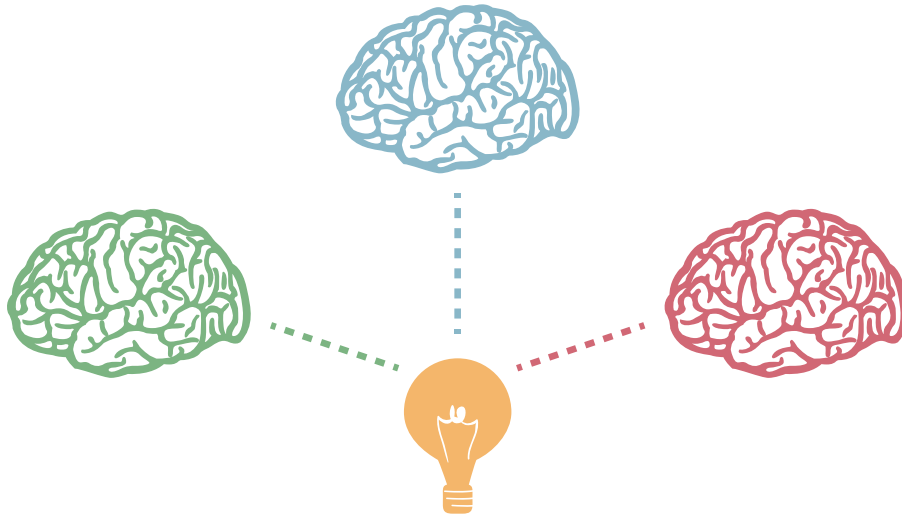
**“Are you ready to trade your assets, to share your idea? Yes? Great, you are now a potential co-founder!”**

### Finding Potential Co-Founders

Assuming one is a potential co-founder and open to the evolution of ideas, next begins what should be a very intentional search phase. We have observed that this phase is often very unintentional and random, and that with a higher level of self awareness and purpose, potential co-founders are able to attract and validate better co-founders.

Similar to Customer Development in identifying a customer segment for the product or service, in Co-Founder Development, a potential co-founder needs to identify who is within his co-founder target segment. In other words, who are the people that you might be able to build a great team with?





**“Similar to walking into a crowd and having your eye caught by someone you find attractive, you, as a co-founder, need to develop an innate sense of who will be an attractive co-founder for you specifically, so you know who you should meet or not.”**

Logically, the first step would be to seek out a high concentration of other self-aware, potential co-founders. You can also target people with a job, but the approach would be softer (you can't meet someone and ask them to drop their job after a five minute conversation). The goal is to find potential **“matches.”**

The fundamental question is: What competencies am I looking for? You have to be strategic about the people you meet and interact with. If one is looking for a technical co-founder, then technical meet-ups or happy hours, etc. are a potential starting point.

It is also worth noting that this is not a trivial exercise. There is nothing easy about finding a co-founder, building a team, and launching a startup. For those serious about launching a startup and finding a co-founder, we recommend adhering to a weekly goal of 10 co-founder meetings, for example. Each meeting offers an opportunity to initiate the co-founder development process.



One complaint we hear is that individuals have a hard time finding other potential co-founders because there is a shortage of events or places to find them.

At this point, there are two options: become a community leader and create the events to bring them together, or move to another city. We have seen hundreds of people step in and become community leaders and create incredible opportunities for themselves to find the best possible co-founders. It is arguably one of the best ways to ensure your access to as many potential co-founders in the co-founder discovery phase.

Often, people jump past the elements of being a good co-founder that matter most and focus on the details of the company itself. We propose that the human elements are far more powerful to verify before progressing further.

## THINK DIFFERENT

You need to have talent yourself before looking for someone else! What is your talent? Can you acquire new talents? Challenge yourself, start to learn how to code or how to sell... Worst case scenario, you'll become the person you were looking for. The Self-Awareness step is an important pre-requisite for a successful co-founder discovery.

## The Co-Founder Pitch

This discussion is different from a startup elevator pitch; your goal is not to raise money or to find a customer -- your goal is to find and convince a potential co-founder to work with you. It's a two-way interview, and you are being challenged to demonstrate your own talents as well.

### Prepare your co-founder pitch.

For example, if your goal is to find a "technical co-founder," you should have a clear idea of what you want to say and ask when you meet someone with a technical background. We propose a simple structure for this "Co-Founder Pitch." You might want to adapt this structure per your own needs -- the point is to be ready for these discussions. Pitching is the first step before dating! The goal of the co-founder's pitch is to get a date -- an action-based date.

#### STRUCTURE

##### Co-Founder's Pitch

1. Who are you?
2. What are you best at?
3. Founder's questions
4. Conclude the pitch



### Examples of Founder's Questions:

- If you had a great co-founder and a great idea, how soon could you quit your full-time job?
- Is your significant other or closest friends supportive of you living with the uncertainty of a startup?
- Can you live without a paycheck for up to a year?
- How much of your own money are you willing to invest into a startup?
- Imagine we crash and burn in 6 months, what would you do next?
- What hobbies do you have to take your mind off of work?
- Do you consider yourself punctual or tardy?
- What are your biggest professional weaknesses?

### **An Example** Co-Founder's Pitch

*My name is Ashley and I want to build my first Startup. I'm currently a designer (here is some of my work on this iPad) I've heard you're a great Mobile developer, do you have a business idea? Maybe we could meet again and try to spend one hour or two on building a minimum viable product, around both of our ideas.*



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## C. Co-Founder Action-Dating

*Goal: work with as many potential co-founders as possible on real projects*

There are a lot of misconceptions about co-founder dating. It should be called “potential co-founder dating,” because no one at these meetings is a co-founder yet. Some may have never even considered starting a company, and others might wrongly call themselves founders, but if they cannot execute on their idea, they are pre-founders at best. Like real dating, one does not get married on the first date. You need to go on several dates to learn about a person, what drives them, what their goals are, and how personalities mesh. Similarly, individuals do not ask others to quit their day jobs and build a startup around an idea upon an initial meeting. The goal of co-founder dating is to understand if differing visions and personalities can be merged to form an efficient execution engine (the MVT).



**“As we empirically observe through evidence from nearly 1,000 Startup Weekend events, the single most effective way to know if you can work with someone or found a company with them is to actually work on a project together”**

The goal of co-founder dating is to execute on an idea that both (or many) agree on within a small amount of time (one week maximum). This validates the MVT. After working with others and identifying that all parties have no hesitations about forming a business, it is safe to say that one has the beginning of a potential startup.

Here are some examples of some things to pay attention to:

- Little things about a person that repeatedly frustrate you (anticipate spending more hours with these people than anyone else for the next year)
- Someone promises and doesn’t deliver something
- Is wasting time on things that don’t create value
- Spends all of their time in meetings or socializing rather than getting work done
- Is the team fast enough (does it take forever to do a simple task?)?

- Is the team positive/having fun?



**If your Minimum Viable Team fails to execute on anything, then it is time to move on and try again with a new MVT and other potential co-founders (go back to step B/Co-Founder Discovery).**

One cannot be a potential co-founder forever. If you can't find a co-founder after a couple of months, sit back and try to analyze why. Maybe you need to acquire a new set of competences, for example. Note that it is hard to know how long it takes, on average, to find a co-founder as there is no available data (yet). However, we observe that 12% of Startup Weekend teams are still working together a year later, so there is roughly a one in ten probability of finding a co-founder at a Startup Weekend!



## MVT To Dream Team

*Having an MVT is a necessary, but insufficient, requisite to a dream team. Immediately address and be prepared to walk away when what you expect is not working. If it does work, challenge yourself and your team.*

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## D. You Are A Startup!

It is now time to begin your journey as an

**“organization formed to search for a repeatable and scalable business model”**

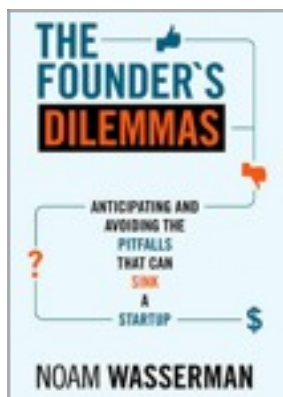
- Steve Blank

Note that the journey is not over -- you will most likely fail and this is totally normal -- but we hope that our framework will help you to fail less, or at least to make you realize you are not in a position (yet) to be a founder.

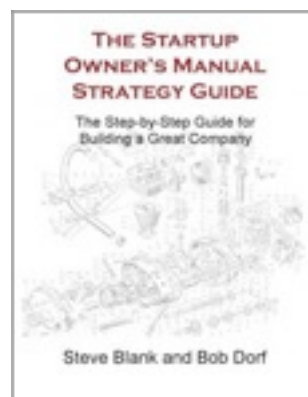
Good luck (and work!) to all.

## E. Recommended Reading

The Founder's Dilemmas  
(Noam Wasserman)



The Startup Owner's Manual  
(Steve Blank and Bob Dorf)



The Lean Startup  
(Eric Ries)



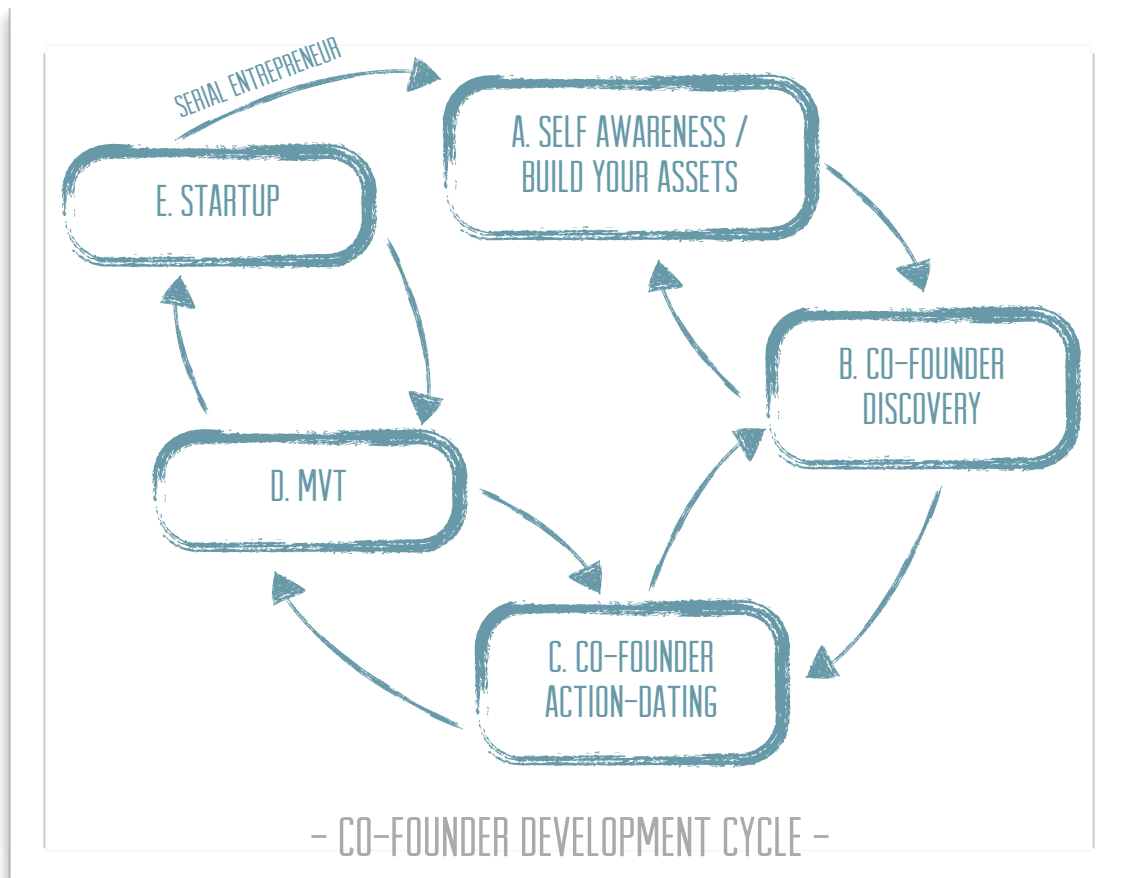


### 3. Conclusion

We have a very poor understanding of what makes a startup team stable or successful, but we now know that most of the team stability varies based on founder's dilemmas (around roles and equity dilution, for example). It is important to know more about Noam Wassermann's work and the challenges that founders are facing. We encourage everyone to read *The Founder's Dilemmas* and refer back to it constantly on the journey to building a successful team and startup.

Keep in mind that one's team will still most likely fail, and things will not go smoothly. Our goal here is not to build a process to systematically produce perfect teams where nothing bad happens -- failure is one of the most critical elements in building amazing entrepreneurs and successful startups.

Please send any feedbacks and questions to [franck@startupweekend.org](mailto:franck@startupweekend.org).



## 4. Words of Wisdom



*Hi, I'm **Brad Feld**, I'm the managing director at Foundry Group and I live in Boulder, Colorado. I invest in software and Internet companies around the US, run marathons, and read a lot.*

Often people ask, "where can I find a co-founder?" The simple answer is, "show up where other co-founders are hanging out!" Startup Weekend is an obvious place, but so are your local tech meet-ups, open coffee clubs, and other entrepreneur events.

Don't jump into a co-founder relationship after the first meeting. Work on something together. Fail at something together. Have conflict. Understand how things are going to be when they are tense. And, if it's not feeling good, or you don't have the tools to work together, make sure you can walk away in a no harm / no foul kind of way.

Always have stock vesting with your co-founder. Both / all of you should vest your stock -- optimally, a four year vest with a one year cliff. Agree in advance that if things don't work out, there will be no hard feelings.

# A Special Thanks To

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- Brad Felds for his valuable words of wisdom
  - [bfeld](#)
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  - [@nmwass](#)
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  - [@sgblank](#)
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- To our Startup Research fellows for their valuable feedback.

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