

# Tech-focused founders more likely to launch successful startups

December 3 2013, by Michael Pena

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New research on entrepreneurship shows that diverse business skills are not always the secret to success in the world of tech start-ups. While different strengths matter sometimes, researchers found that a tech-focused founding team is almost always best.

The research, led by assistant professor Chuck Eesley in Stanford University's Department of Management Science and Engineering, [has been published](#) online by the journal *Strategic Management*. Two other management professors, from the University of Pennsylvania and Massachusetts Institute of Technology (MIT), co-authored the study.

The research revealed that a technically focused team can more quickly reach market milestones, from design and prototype completion – all the way to product launch. On the other hand, more diverse founding teams are better prepared to compete against mature companies, which similarly have well-established diverse skills in areas like marketing, operations, sales, engineering and other skills.

The findings are based on a survey of 2,067 ventures founded by MIT alumni across multiple industries. The professors examined each firm's founding team, how well the venture performed, and the business environment that surrounded it. They took into account traits such as age, experience and education, but in this case, did not include traits such as gender or ethnicity.

## External factors

Lead author Eesley, whose department is in the School of Engineering, researches the influence of external environments on [entrepreneurship](#) – specifically, the types of environments that encourage the founding of high-growth, technology-based firms.

"If your venture is focused on [technological innovation](#) as a key competitive edge or is operating in an industry where it is common for startups to focus on innovating – and then partner with large firms to commercialization those innovations – then it is better to have an all-technical founding team," he said.

Two business environments that startups commonly enter can be characterized as either cooperative or competitive. In a cooperative environment, startups form partnerships with established firms in the industry to bring products and services to market – as when smaller biotech ventures get acquired by larger pharmaceutical companies. In a competitive environment, startups go head to head with established firms instead of relying on them to get to market – as in the software industry.

However, if a venture's competitive edge comes from factors other than technological innovation – serving a new market segment, for instance – and it's more common for startups to compete with established players, Eesley says a founding team with diverse skills makes more sense.

The study's authors gauged the success of firms in their survey by whether they reached a "favorable exit," such as an acquisition or IPO. One of their findings was that, in a "cooperative environment," a technically focused founding team had a 12.8 percent greater likelihood of a favorable exit.

## Practical advice

At Stanford, Eesley teaches about technology entrepreneurship to undergraduates on campus and to students around the world via open online courses. He also lectures internationally, and is often asked by current and would-be entrepreneurs about who they should look for as co-founders. He usually advises them to build a balanced team of founders.

"However, I began to wonder if this advice was universally true for all types of startups. I suspected and worried that, in some cases, such advice may actually be harming some founders," Eesley said. "We should be trying to help them, rather than unintentionally leading them astray."

Eesley is also on faculty at the Stanford Technology Ventures Program, which serves as the engineering school's entrepreneurship center, helps students develop entrepreneurial skills, and sponsors courses and research related to tech-venture formation.

He says the study's findings are practical for those looking to launch a company now – whether in Silicon Valley or elsewhere.

"For prospective or current entrepreneurs," Eesley explained, "you want to think carefully about matching the skills and backgrounds of the people you recruit as co-founders with the strategy and industry of the [startup](#) you're passionate about pursuing."

Provided by Stanford University

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