Does it Matter if an Entrepreneur is Coachable?

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Many venture capital firms, business accelerators and other investors see the strength of the founding team as an important predictor of whether their investment will pay off. No wonder that many investment companies provide coaching to help a promising firm’s leaders improve their skills.

But is investors’ time and money spent developing people worth it? Our research suggests that even very high quality coaching from successful entrepreneurs may be rejected without any harm to a startup. The problem is that it’s difficult for outsiders like grant agencies or incubators to know in advance whether an entrepreneur will embrace or ignore advice, and why. Could it be that the less-coachable entrepreneurs are better informed than their mentors, or could it be stubbornness? Significantly, we found that entrepreneurs who were willing to take advice were no more successful than those who resisted it.

We looked at 84 firms that were accepted into the University of Toronto’s Creative Destruction Lab, an incubator for science-based early-stage startups trying to raise seed capital. We analyzed the kinds of leaders who were most and least amenable to coaching; whether a founder’s inability to take advice from highly experienced mentors at incubators or accelerators was because of superior knowledge or simply stubbornness; and whether coachability affected the firm’s performance.

Startup founders met regularly with highly experienced mentors. Entrepreneurs were given milestones to achieve before the next meeting, and discussed at each meeting whether and how much the milestones were met. In all, we looked at nearly 700 milestones given to the 84 firms in five categories: market validation (for example, increasing paying customers), funding goals, technical tasks and other business tasks. We also studied the comments made at the meetings by the mentors and the founders about meeting the specific milestones. Finally, we cross-checked the milestones and the comments against the founders’ ages, experience, gender and other factors.

Of the 692 milestones, 391 were achieved. For 132 other milestones, the comments suggested that the founders either rejected the proposed milestone outright or just put off working on it.

The upshot?

- Older founders and companies with many founders – presumably with more subject matter expertise -- were less likely to accept advice, as measured by the milestones completed. These founders were, despite being less likely to follow advice, no less likely to see positive outcomes for their ventures.
- Gender and working on a prior startup was no indicator of coachability.
- Even in areas where the founders had little or no expertise, coaching didn’t affect outcomes one way or another. The teams were no more or less likely to actively challenge milestones set by their mentors.
- Firms with many employees were less likely to challenge the milestones, suggesting they are more likely to accept advice from mentors.

And most notably: the founders’ coachability had no impact on whether the firm succeeded (got further funding or was acquired) changed course or failed. This could be because the less coachable teams, who tend to be older and presumably more experienced, had enough knowledge to make coachability less important and help the firm succeed anyway.

The Takeaway
For incubators and accelerators, our research suggests...
that some types of organizations are more coachable than others. “There are large, robust, negative relationships between the average age of the cofounders and milestone completion, and between the size of the founding team and milestone completion,” we conclude.

Moreover, the research suggests that coachability – as measured by whether or not the founders act on a certain piece of advice -- is not always an accurate predictor of whether a firm will succeed. Investors may want to look at other factors that could predict future success. For example, the characteristics of the business opportunity and business model may be much more important in determining performance than coachability.

Finally, firms with less experienced founders may need more guidance from mentors and accelerators if they are to achieve the same success as firms with more experienced founders. While we did not directly address this in our research, we suspect that less experienced entrepreneurs are more coachable, so when someone takes all the advice they are given, it means that they don't have enough knowledge of the business to know what to do otherwise.

While stubborn rejection of useful advice may harm a young company, outsiders ought to be careful about mistaking knowledge for obdurance, and founders should remember that mentors have only imprecise knowledge of the founders' skills.

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