

How Founders Can Turn Criticism into Gold

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Saoirse was intrigued with her launch customer's request. They criticized some components of her firm's product for 45 minutes – then asked if the same components could be made out of a different material at modified dimensions.

Kayleigh was taken aback when her startup team's mentor/board member was unenthusiastic about the recent technology development that their startup team thought was a breakthrough. The mentor reasoned that their value proposition should be based on customer needs rather than new technology.

Alex's challenging week did not get any better when her startup team's series A investment pitch was turned down by another VC firm. She felt so frustrated that she couldn't think straight.

Startup founders regularly ask others for advice and feedback about their ideas, product features, business models, market choices and other topics. They may talk with mentors, investors, prospective customers, domain experts, peers and sometimes even family members. In general, positive feedback validates the efforts of the founders and encourages them to hustle on. However, receiving critical feedback from important stakeholders on their best-laid plans and ideas can often be discouraging. While negative feedback never feels good, it can actually help entrepreneurs to hone their thinking about building a better venture – if they can get past the hurt.

To study how entrepreneurs leverage critical feedback from various stakeholders (<https://www.tandfonline.com/doi/full/10.1080/00472778.2020.1866186>), we followed the progress of 30 participants of a university-affiliated technology incubator/accelerator program through weekly diaries. In the diary entries, entrepreneurs focused on four main topics -- learnings, results, issues, and next steps -- based on their experiences from the previous week. The participants in our study made diary entries for at least

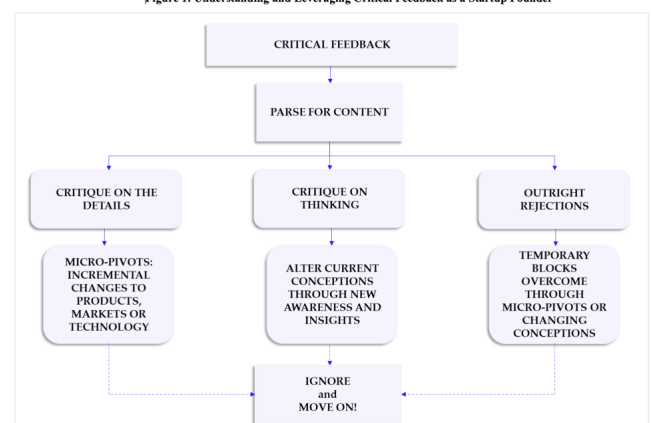
20 weeks over the course of a year. This text data was coded and analyzed qualitatively for instances of critical feedback and the entrepreneurs' corresponding reaction. Here's what we learned.

Understand what's really being said

Research shows that the feedback that founders receive is not always direct, especially if the stakeholder feels uncomfortable delivering criticism that may sound hurtful.¹ Even managers can be hesitant to sound too harsh, so the feedback is often delivered indirectly in order to sound less critical. Founders therefore need to understand what their stakeholders are really saying.

There are at least three types of critical feedback that startup entrepreneurs frequently come across. Depending on its focus, the feedback is either, (1) a critique on the details, (2) a critique on the founder's thinking or their understanding of business concepts, or (3) plain hard rejections. Here is how you can process and deal with each type.

Figure 1: Understanding and Leveraging Critical Feedback as a Startup Founder



Critique on the details? Think micro-pivots

When decoded, founders discover that a sizeable chunk of critical feedback contains within itself a high potential

for a micro-pivot. Micro-pivots could be thought of as incremental changes to the business rather than the drastic changes that we tend to associate with the term “pivot” in the startup realm. For instance, customers requesting feature alterations, business coaches suggesting alternate customer segments, experts recommending new distribution channels, and the like draw the attention of the entrepreneurs to ideas that are “cognitively adjacent,” which means “not much of a stretch.” Research at incubators has found that broadening their focus to nearby possibilities – adjacent markets, new applications for existing products, incremental technology modifications – helped the entrepreneurs take their ventures to the next level.²

Inexperienced founders may overestimate the degree of pivoting needed to succeed. However, dramatic pivots like The Point to Groupon are rare in practice.³ Openmindedness to a few simple tweaks could save the day in the face of critical feedback. Thus, one of the proven and useful ways to leverage the *critique on details* as a startup founder is to attempt to make incremental and easily achievable changes to products, markets, technology, or positioning.

Critique on your thinking? Rewire your understanding

Consider the tasks of ideating a new product design or conceptualizing a product’s value proposition. We’ve known for some time that engaging with potential customers right from the prototyping stage helps startup teams create a shared understanding and accelerate product development.⁴ However, interaction also means that entrepreneurs must be prepared for criticism. Some of this feedback is a *critique on their thinking*, which challenges the entrepreneur’s conceptions on a business-related issue.

For startup founders, tasks such as realizing how revenue models could be restructured, becoming aware of the network connections that were previously unknown, devising changes in strategy and business planning etc., may require fundamental changes in thinking and action. Critical feedback directed at founders’ thinking, when dealt with in a positive way, brings about changes in their judgments, assessments and decision-making.⁵ Hence, the startup journey can be a transformative experience for shaping the founders’ business acumen. Insights gathered this way over time realign their understanding of how things work

and why.

Facing rejections? Cognitive blocks are temporary

Perhaps the most unsettling type of negative feedback entrepreneurs encounter are outright rejections, which are dead ends. Denial of venture funding, bank loans or lines of credit, or potential customers turning them down, all fall in this category. At times, entrepreneurs find these experiences deeply frustrating, so much so that they question whether they or their firm are on the right path. In these situations, founders hit a temporary cognitive breakdown. Those who are better at turning things around attempt to either search for solutions that are easily achievable, or they try to reconfigure their understanding. And if neither response works, they have to clear the slate and start anew.

Feedback depends on the source

If you listen to your stakeholders long enough, you will often see a pattern to their criticism based on their roles.² Customers tend to criticize details while requesting alterations on product features and dimensions, materials used etc. -- and along with potential investors, they are also a source of numerous rejections. Peers or fellow entrepreneurs and members of informal networks offer numerous critiques on the details that can lead to incremental changes. Advisors and business coaches frequently challenge the entrepreneurs’ thinking and thus seek to change their outlook. Knowing what to expect from a particular stakeholder group helps prepare founders for dealing with critical feedback.

Finally: You Can Ignore Some Advice

We must acknowledge that it is practically impossible to turn every single negative input that entrepreneurs receive into something positive. Some of the critical feedback just has to be ignored. It might sound like a cliché to contend that time and experience would teach founders to act on the right type of feedback while ignoring others. However, practicing the ability to parse what is being said, who says it and knowing whether a critique requires incremental or radical changes gives you a toolbox for benefiting from the critical feedback. You don’t have to act on every piece of feedback – sometimes you just need to dust yourself off and keep going -- but within even the most painful bits of criticism

could lie an idea that makes both your thinking and your venture stronger.

Explore the Research

“Yes and..., but wait...heck no!”: [A socially situated cognitive approach towards understanding how startup entrepreneurs process critical feedback](https://www.tandfonline.com/doi/full/10.1080/00472778.2020.1866186) (https://www.tandfonline.com/doi/full/10.1080/00472778.2020.1866186)(https://www.tandfonline.com/doi/full/10.1080/00472778.2020.1866186) ." Kaffka, Gabi A., Raja Singaram, Jeroen Kraaijenbrink, and Aard J. Groen. *Journal of Small Business Management* 59, no. 5 (2021): 1050-1080.

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