SECRET SAUCE

Traits of Successful Start-up Leaders in Bangladesh

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“Secret Sauce”: Traits of Successful Startup Leaders in Bangladesh

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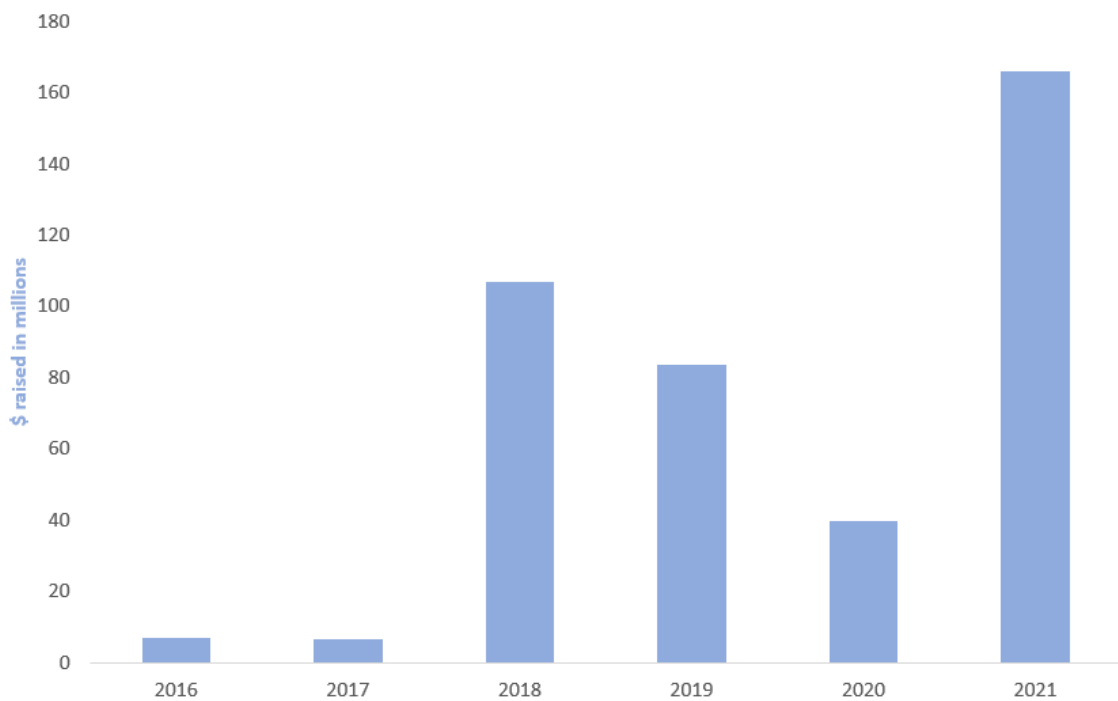
Overview

As of January 2021, the Bangladesh startup ecosystem disclosed 124 funding deals in total, raising a total of $458M. Of this, a rather significant 94.7% ($434M) comes from global sources.[1] While this is a considerable achievement, comparable economies have had far significant cumulative funds raised in their respective ecosystems. Nigeria, which has a slightly larger GDP than Bangladesh, saw $1.37B raised in 2021 alone. Vietnam, which has an economy smaller than Bangladesh's but routinely outperforms in FDI inflows, saw over $600M raised in the first 9 months of 2021 alone. Bangladesh clearly has much catching up to do. However, the flip side is that there is much growth to be had in the startup ecosystem in Bangladesh, and winners are likely to win big.

Data also bears out that fund raising will pick up in the coming years. While the total funds raised by startups was ~121M in 2019 and 2020 combined, Bangladeshi startups raised over 165M in 2021.

Figure 1: Funds raised by Bangladeshi Startups 2016 - 2021



Source: *Bangladesh Startup Dashboard, LightCastle Partners*[1]

It can optimistically be assumed that the scene is likely to expand as Bangladesh is projected to jump up 17 places and become the eleventh largest consumer market in the world by 2030 according to World Economic Forum.[2] By then, Asian economies will constitute 60% of the global consumer class, of which Bangladesh will become a significant contributor.

As global attention shifts to this growing startup ecosystem and local stakeholders position themselves to make the most out of this opportunity, structured knowledge that can provide data points to international stakeholders to inform decisions and accelerate the growth of this ecosystem becomes more crucial. There is a serious gap in professional research on the startup ecosystem. This white paper aims to fill that gap.

The goal of this white paper is to explore what leadership at successful startups in Bangladesh have in common. Global academic literature as well as findings from our expert interviews indicate that leadership ability of startup leaders is critical to the success of the startup. In fact, startup leadership could well be considered a valid area of research on its own, among scholars of business and entrepreneurship.

This white paper is structured as followed. We first review the global literature on this topic and then to validate our hypothesis, provide our qualitative findings on the local startup ecosystem derived from primary research, mainly expert interviews. We then organize answers according to the three questions we:

- *What are personal traits that are common in the leaders of good startups in Bangladesh?*
- *What are common methods in how those leaders manage teams or foster culture?*
- *What are some personal traits in startup leaders that have led to failures?*

It is not uncommon in academic literature to base entire studies around one or a few inter-related research questions. It is our intention to investigate into personal traits that enable startups to succeed, team spirit to be fostered, and traits that lead to failure. Of course, research in areas such as this has implications beyond academia. It is our hope that our findings can provide international and domestic stakeholders with practicable insights in facilitating growth of startups they are associated with, or the ecosystem at large.

Overview of Global Research

What are the secrets of highly successful startup leaders? Research from MIT Sloan Management School explored the issue of age of startup leaders and found that for the highest-growth new ventures, the **mean founder age was 45,** which is higher than many expect.[3] They discovered that there are numerous benefits to age of entrepreneurs: more social networks enabling them to leverage long-term relationships with co-founders or suppliers; greater financial wealth to deploy; and less difficulty in borrowing capital to fund expansion.

Researchers at the Stanford Graduate School of Business went deeper into this topic and learned that middle age only becomes a key factor of startup success if it's accompanied by **learning from entrepreneurial failure and taking risks**.[4] The Stanford researchers posit that founders in their mid-20s to early-30s who got an early start to running a firm and then opened a second one, have a higher chance of being successful, and in many cases are even more successful (as measured by generated sales, acquired customers, etc.) than founders who get started at a higher age

As for what type of culture founders fostered in startups that became successful, research by Harvard Business Review showed that what sets apart successful firms is the **creativity demonstrated and autonomy** enjoyed by employees.[5] Creativity is often a function of the organizational culture that a founder can foster. As research by McKinsey demonstrated that **a culture in which it is safe to fail (**as validated by leaders failing transparently) and easier to fail through technology, produces better business results and innovation over the long term. Leadership establishes the culture that pervades in an organization.[6]

Finally, as to why startups fail, according to research via a series of expert interviews conducted by Noam Wasserman in the book "The Founder's Dilemma," six out of nine failures were failures that happened due to "people issues".[7] Lindred Leura Greer, Associate Professor of Organizational Behavior at Stanford Graduate School of Business, has shown in her work how these failures happen mostly due to **co-founders failing to agree on who is the leader** (often stemming from personality traits like arrogance) and whose vision ought to be executed or a lack of agreeing on what culture to set leading to inability to produce business results or scale.[8]

However, before we explore if the global findings on successful startup leadership reflect the reality observed across successful startups in Bangladesh, it is important to explicate how we are defining successful startups.

What is a Successful Startup?

An objective definition of a successful startup is surprisingly complex. It is difficult to use key metrics such as profitability, recurring revenue, number of users, etc., since the importance of those metrics for the success of a startup varies from industry to industry and from stage to stage. Furthermore, data on those metrics are generally not publicly available or verifiable.

Subjective metrics like the impact of work on consumers or the society, brand recognition, etc., are hard to quantify and thus not easily useable for primary research. The Bangladesh startup ecosystem is yet to experience a reasonable number of successful exits, therefore “exits” cannot be reasonable proxy for success. In line with global research, an objective publicly available metric we can use to define a successful startup is fundraised to date.[1]

While other metrics like projected growth and the scale of the problem being solved can be used as supporting criteria after fundraised, these two metrics cannot be the primary criteria since they are correlated and often reflected in the amount fundraised. Based on fundraising criteria and using convenience sampling method, the startups that we have filtered as successful are Bkash, ShopUp, PaperFly, and Pathao. These companies have raised around $10M - $300M as publicly disclosed and are serving markets that comprise major portions of the fund raised: Fintech (50.5% of cumulative funds raised) and Logistics and Mobility (20.9%).

Bangladesh Startup Ecosystem Expert Interviews

Although there is no prescribed upper or lower limit to expert interviews in academic literature, since this is a white paper, and not a full-fledged academic paper, we chose a sample size of 10. These 10 experts ranged from partners of reputed venture capital firms, leaders at top startup incubators, current and former leaders of top startups, and brokers/facilitators of large startup networks. Due to potential conflicts of interests, we have decided to keep the specifics of the identities of the interviewees anonymous except for the cases where we have received written consent to publish identities. We asked them regarding traits that founders of successful startups displayed; cultures founders and other leaders fostered through their management style; and traits that caused certain startups to fail. To avoid biases in their startup selection, we asked them to independently assess which startups they consider as successful and then asked them to identify the traits of the founders of those identified startups. It is to be noted that all respondent-identified startups were in the list of startups we mentioned in the previous section. Furthermore, we also cross-validated the qualitative findings to data we collected from ~25 founders two years ago, on management traits linked to startup success.[9]

Results & Discussion: Personal Traits of Successful Startup Leaders

Although the interview discussions meandered, they were illuminating on various levels. There were select traits that were recurring in the conversations. These expert respondents have cumulatively interacted with several hundred startups in Bangladesh. The traits that make startup leaders successful are as follows: resilience, communication skills especially in English, growth mindset and strategic mindset (in no particular order).

Resilience: It is well-known that a large percentage of all startups fail.[10] A choice to launch a startup generally comes with opportunity costs that are challenging and often requires a high level of risk appetite. When a roadblock appears, it takes strong mental strength to circumvent it, in order to continue operations.

Startups regularly face difficult situations where they do not find product market fit, or co-founders fall out, investors or customers pull out, companies face financial crisis, and so on. Some of these crises are significant enough to discourage founders from continuing.

Therefore, it ought to be of no surprise that all the interview respondents emphasized the importance of resilience as key trait among successful founders. Resilience implies patience in the face of setbacks and initiative and energy to continue to innovate around and despite challenges.

Communication skills, especially in English: Apart from building a great product/service and creating the company's strategic roadmap, C-suite founders, especially the CEO, typically dedicate most of his/her time raising funds or closing sales. Communicating why a product is worth purchasing or investing in, to diverse audiences becomes crucial to startup success over time.[11] As later stage fundraising is heavily dependent on gaining the trust and confidence of global investors, the capacity to own stakeholder relationships in a room full of English-speaking global investors has also become a critical skill.

In fact, while it is well-known that investors consider a variety of attributes about the firm, e.g., the product, the market and the economy before investing, as well as the founder profile. The founder and what he/she brings to the table becomes one of the most important considerations, and specifically, his/her ability to communicate effectively. This is also validated by academic literature.[12] It is interesting to note the preponderance of overseas educated founders and CEOs among successful startups in Bangladesh, e.g., bKash, Shohoz, Pathao, etc., who have high facility with the English language.

Growth Mindset: A founder fails repeatedly in the course of building a startup. In fact, successful startup founders learn by failing. A mindset that allows learning from failure is called the "growth mindset."[13] The existence of this mindset is the primary reason why serial entrepreneurs (entrepreneurs with multiple attempts at creating startups) who come of age during their second or third venture, show the highest rates of success.[14] The idea is that the combination of critical learnings taken from failed startups with built career capital (financial capital, strong human networks, domain-specific knowledge, etc.,) can increase the likelihood of success.

Strategic Mindset: A strategic mindset is one that combines vision and creative thinking about the future with discipline and rigor to enact that vision. According to qualitative research conducted by Y-combinators,[9] the most reputed startup accelerator in the world, a startup founder's most important tasks are to build products/services that can gain product market fit, lay out the strategic roadmap through which the company can develop, achieve scale, and define and meet key metrics. These activities require a blend of both creative thinking as well as the rigor to implement the thinking. People with strategic mindsets are both big thinkers as well as problem solvers. It is critical from our research that startup founders possess a strategic mindset.

Management Styles and Creation of Culture

However, the personal traits of a founder alone cannot ensure startup success. Founders are required to take active steps to ensure that a certain culture is fostered across the company that can complement the founder's vision and execution. Our research finds that there are elements to this culture that are common across successful startups and includes certain traits. Successful startups are those that have a willingness to fail, an orientation towards a vision, and de-centralization of authority, among other cultural traits. A discussion on these traits as follows.

Willingness to Fail: Teams in a startup culture can only innovate and outperform competitors and dominant players in the market if they can take risks that may pay off. Teams can only take risks in a transparent environment where it has been made clear by the leadership that it is safe to take risks.[6] An environment where employees are afraid of repercussions for failed risks is one where innovation is stifled and will most likely lead to startup failure. This is understood in theory but actualization in practice is difficult. Our interview respondents underscore the importance of regulating innovation, i.e., setting boundaries to innovation, in terms of resources such as time and budget, so there is a way of sandboxing or regulating failure. In fact, this practice is validated by findings from the existing research.[15]

Vision-Orientation: The strong possibility of high return (as measured by financial gains) on investments (as measured by time and effort put) must be communicated to the team by the founders to maximize the effort of the team. Furthermore, the team must be able to visualize exactly where their work fits into the larger picture and should be inspired to contribute to the vision.

Founders who are not able to foster this culture often experience lower productivity from team members, reduced effort, and high turnover. In fact, in a startup's early days, as many struggle to attract and retain the best talent, the lack of the startup's brand recognition can be substituted by the founder's ability to communicate vision, as a glue that binds teams together and avoids turn-over.

De-centralization of Authority: According to Paul Graham, co-founder of Y-combinator, the top performing startups have teams that display obsessive ownership over their business verticals. This means that they go to great lengths to ensure their business unit succeeds at reaching the milestones set for them. Each of these units begin to develop its own charismatic leader. Therefore, a successful startup leader has to be excellent at leadership development and create leaders at various levels of the organization. This de-centralization of leadership and authority yields greater accountability at multiple parts and levels of the organization which has a notable impact on startup performance and fundraising. This is also validated by academic literature.[16]

Often, in fast growing startups, the founder or the CEO has to spend more time with leads of different business units than with on-the-ground matters, which means that business unit leads have to be exceptional leaders themselves.

There are several other managerial and cultural traits that came up in our interviews with experts. Other traits that were mentioned include openness to demographic diversity and a reward-and-recognition oriented culture. However, the ones described above are those that were the most frequently recurring.

Traits that lead to Startup Failure

Moving on from traits that ensure success, we also discussed with our expert respondents, traits that lead to failure. Several of our respondents have closely followed high-potential startups that failed, i.e., had to wrap up their businesses. For instance, one of the angel investors we interviewed, has observed startup failures in Bangladesh as well as overseas, and thus, had a unique vantage point.

In the opinion of experts we interviewed, lack of salesmanship skills, lack of humility, and limited coachability are some of the key reasons why startups fail. Of course, most founders, and perhaps, most people exhibit these traits at some level or another. The key point to note is that if founders display these traits at a high level, or combination of all these traits at a moderate level, then there is a higher-than-average likelihood that the startup will not become successful.

Lack of Salesmanship Skills: Founders will spend a large portion of time raising funds or selling their products/services to different stakeholders, be it suppliers, potential recruits, government authorities, strategic partners, or customers. Therefore, whether a startup succeeds will depend on whether the founder is good at selling. Selling is a skill that is not acquired from traditional educational institutions and often the negative connotation associated with the term “sales” or “business” in general leads to founders ignoring this skill leading to an incompetence in those skills.[17] The faster a founder accepts sales or fundraising’s importance to the success of his or her venture, the higher the probability of success.

Lack of Humility: Lack of humility or displays of arrogance compromises impedes a founder's capacity to learn and grow from mistakes or failures. Lack of openness to expert feedback, be it investors or other stakeholders, even junior colleagues, can be quite an Achilles Heel for founders. While confidence is critical for founders, hubris can be a strategic roadblock to success. Startups only become successful after multiple rounds of learning from failed products and initiatives. Therefore, it is critical that founders are able to put the firm's interests over their ego, at least when it matters the most.[18]

Limited Coachability: Lack of coachability often arises from the lack of humility. Founders and their teams are often confronted with intellectual challenges such as insufficient understanding of customers, impractical revenue generation model, wrong talent leading a function, etc. These problems begin to manifest as startups begin to scale. Experienced investors who can add value to the company apart from bringing in funds or new leadership hires are often able to fix these problems. However, as much as investor may wish to coach founders, it is important that founders have the capacity to learn and be coached. Interview respondents mention that frequently, they run into founders who either refuse to accept ideas from outsiders or are insufficiently capable of absorbing new ideas.

Limitations and Conclusion

This research is only a first step of a longer multi-year research project that will aim to cast a wide net on factors that lead to startup successes in the larger context of emerging markets, focusing on Bangladesh. The goal of this research was to engage startup ecosystem stakeholders and share their views of successful founder traits with a wider audience, particularly the ecosystem of current and aspiring founders.

This research does not draw heavily on extant academic literature, but focuses the discussion on findings from expert interviews. Subsequent research will seek to canvass the academic literature on this issue, in order to situate Bangladesh-specific findings in the realm of larger emerging markets research. Subsequent research will also seek to widen the sample of interview respondents.

The key-take away from this research is that successful founders are those who possess resilience, communication skills, growth mindset, strategic mindset, can foster a culture that is open to failure, vision-oriented, and enables leadership development. Founders that lack the ability to sell, humility, and coachability are far less likely to succeed in an ecosystem with such low odds.

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