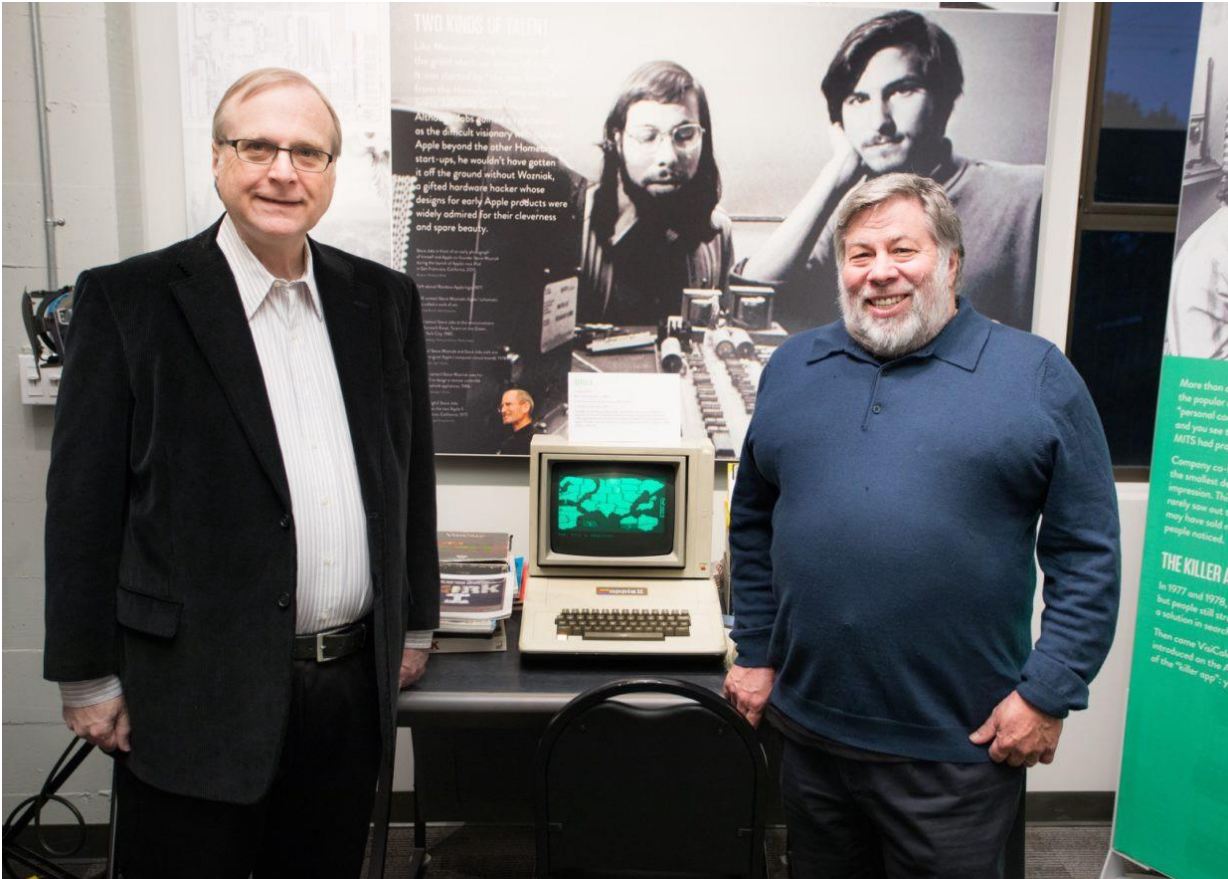


Who Should Get the Title “Co-Founder” at Your Startup?

By Ben Casnocha



The obvious answer is: whoever founded the company. But that’s not always clear. Founding moments are messy and iterative, and indeed this very messiness around who’s a co-founder and who is not has given rise to a number of public spats and lawsuits.

So, if you’re a core founder and CEO of a startup, you may be wondering how generous to be with the co-founder title when recruiting your initial team of employees. I’m not referring to an equal-*equity* co-founder; just a named “co-founder” in title.

The main reason to be liberal in offering the title of co-founder is this: It helps you recruit, engage, and retain super entrepreneurial people. And it costs you nothing! There are few career assets as high status right now as “founder.” When recruiting your first, second, third, and fourth employees, if you offer the “co-founder” title, I believe you’ll be able to attract and engage a different sort of candidate. Think about all those people who are considering starting their own company but haven’t happened

upon the right idea or founding team. You're offering them the founding dream on a silver platter. These are people who would otherwise not diminish themselves to the status of mere employee. For those later-addition co-founders, I bet they also stay at your company longer, because when you're a co-founder of something — even if you're not an equal co-founder — it creates a deeper emotional bond.

The main drawback in offering the title is this: It's only a matter of time before some co-founders of a company are outranked in the org chart by hired new employees. Suppose you're the co-founder and CEO and you have two other co-founders. The three of you collaborate on all the decisions and you, as CEO, make the final call. Fine. Then, you hire employees #4, 5, and 6. One of those people you hired is pretty senior — she is actually more senior than co-founder #2, or more talented, or in whatever way more essential to the company decision-making than co-founder #2. Now we have an awkward situation where there's someone imbued with the emotional power of “co-founder” who should nonetheless be overruled by a hired employee.

There's a problematic decision-making culture whenever there's a gap between a person's “emotional authority” (as perceived by self or by others in the organization) and actual functional authority. Eventually, this gap causes co-founders to be fired or leave on their own, which is messier than when a regular employee leaves. To be sure, this problem of co-founders who are out-ranked by new employees becomes an issue the larger an organization gets. So it's truly a symptom of success. Many startups, of course, never get to the point of needing to deal with out-ranked co-founders. The company dies before they hire a bunch of employees.

The second challenge with doling out the co-founder title relates to the issue of the truth, which is always easier to remember than the opposite. When companies become successful, the media likes to shine on spotlight on the founding story. So how did Twitter actually get started? Whose idea was it? Where was the idea hatched — was it in a garage?! If the “real” founders were X and Y, but the named/titled co-founders included a third X + Y + Z, the story becomes messy. If you're the main founder and CEO, and you offer the co-founder title to several early employees, you're committing to standing behind the story that the full group of you co-founded the business, each contributing in your own way. You're committing to call yourself “co-founder” and not, over time, slipping into the singular “founder.”

This revisionist history issue relates to the final challenge, which is ego on the part of the main founder/CEO. A lot of founders simply can't bring themselves to share the credit with others not as deserving, even if doing so would increase their ability to win in the war for talent. You see this sprout up when founder-CEOs dole out the “Founding Team” title. The founder-CEO desires the recruiting

and loyalty juice that comes from offering the “co-founder” title, but she can’t bring herself to offer the title in full, so she allows “Founding Team.” I say: bite the ego bullet and offer the co-founder title in full.

In the end, I recommend CEO-founders be generous in doling out the co-founder title. As a startup’s inception, the default outcome is failure. In the earliest days, you want to do whatever possible to stay alive. Part of how you do that is you attract amazingly resourceful early employees. And you increase the odds of attracting the best, most entrepreneurial early employees by offering them a co-founder title.

In sum, I believe more startups should have 4–5 co-founders rather than the more common number of 2–3 co-founders. If you think this sounds crazy, consider the case of LinkedIn. LinkedIn had five official co-founders at the outset. Reid Hoffman was the founding CEO and the most prominent founder, but it was a band of five — not one or two — who benefitted from the emotional boost of the title and who helped get the thing going.

Yes, with five co-founders, you’re creating complications for yourself down the road, but if you’re still alive to reckon with those complications, it’s a good problem to have.

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