5 Expert Tips on How to Choose a Co-Founder for Your New Business

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Launching a new business is quite a juggling act. To make sure you're functioning like a well-oiled machine, a co-founder may be the answer to your prayers. But if the selection process isn't done right, having a co-founder can be a disaster. You want to be searching for the yin to your yang, but you also need to steer clear of people who will ruin your reputation, fall out of sync on work ethic or set wildly different goals to your own.

Having a co-founder means splitting the rewards as well as the responsibilities, so make sure it's worthwhile. Here's some advice from business leaders — taken from experience — on choosing a co-founder for new entrepreneurs.

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What are the benefits of having a co-founder vs going solo?

A co-founder can complement your skills while filling out gaps in other areas. You can also sound ideas off one another, gain new perspectives and approach decisions from different angles.

According to Anthony Rose, founder and CEO of SeedLegals, any new startup needs three core roles: the domain expert (someone who knows the audience and likely offers the vision behind the company), the delivery person (someone who can build and deliver the product, such as the chief technical officer) and the money person (someone who will generate revenue and make the business investible).

“It’s rare that one person encompasses all three roles,” says Rose. He recommends deciding first which of the three you are, or whether you cover more than one area. “Then find a co-founder to fill out the other roles as a complement to you.”

It’s worth remembering that today, practically all companies have a digital element, and a technical co-founder can be a serious advantage when hiring and leading a tech team. To Dina Bayasanova, founder of AI-powered D&I talent marketplace PitchMe, having a technical co-founder for her startup “was crucial in identifying what our tech issues were and building a functional team from the very first day.”

If you’re struggling to decide, make a list of all of the main stages of your startup’s future growth, and estimate the probability of each step going better, the same or worse, with a co-founder by your side.

What should you look for in a co-founder?

Many entrepreneurs opt for a co-founder they already know they can work successfully with. “I wouldn’t just go out searching for a co-founder to start a business with,” says Dan Wheatley from StraightTalk Consulting. “I want to have known and worked with them before.”

CEO and co-founder of R3SET, Barton Warner, agrees. “Good personal chemistry can be a plus because it means you can

focus your energy on customers, not on internal dynamics.”

Your co-founder should typically be in the same industry as your startup, and it’s a huge plus if they’re already familiar with launching a company. But they also need to have different skills to your own, so you can cover several key bases. This works on a behavioral level too.

“If you’re a blind optimist, look for a co-founder who’s a bit of a pessimist,” says Rose. “If you’re a visionary, partner up with someone who is more operational.” Working with your opposite can ensure your planning and progress aren’t lopsided.

Professional drive and values matter. Your co-founder should have a similar work ethic to you or you’ll fall out of sync, affecting your resilience when times are tough. David Dorr, co-founder of Coro Global Inc. stresses that “having multiple founders means they all need to share a passion for the task at hand. That will make them unwavering in the face of adversity.”

Josh Clemente, a co-founder of Levels, adds that co-founders need to share trust to stay afloat. “When launching our startup, the founding team was facing a series of tough problems. So we divided them up, handled each of them in turn and proceeded to accomplish things at an incredible scale. This would not have been possible without the trust and transparency among us.”

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What should you avoid in a co-founder?

Classic red flags include people who have broken unfavorably with business partners in the past or people who are

notoriously difficult to work with. Co-founders who chase the spotlight, are comfortable with white lies and don't consider long-term impact are best avoided. For Dorr, knowing whether a potential co-founder has integrity is your number one priority.

"Whatever the values of the co-founders, these will eventually be woven into the entire corporate culture. A lack of integrity will drive away employees and investors and can sink any startup."

Surface-level knowledge simply won't cut it in business leadership, so you have to make sure your co-founder isn't lacking in depth when it comes to industry expertise, professional skill or intuition. Don't be hesitant to ask potential co-founders if they have authored academic papers, conducted any research or produced other content in their field. Checking their social media and blogs can offer an insight into their temperament and depth of analysis.

You should make sure your co-founder is willing to have skin in the game. They should ideally be investing their own time and money in businesses and causes they're passionate about – not being financially involved hints that they are more accustomed to taking risks with other people's money.

Some of these warning signs should be evident from your first meetings with your prospective partners, but you should always be asking among your mutual contacts – and even their former employers – for their opinions and insights.

Where can you find your ideal co-founder?

Your network is the best place to find a co-founder. If you're active in your industry, the right partner could already be under your nose in webinars, conferences or even competitors.

“If you don’t have someone in your network,” Wheatley says, “it’s time to get networking.” Get your foot in the door by raising your visibility both in your industry and with specific individuals – join events, ask for introductions, post on social media or start writing engaging content to start conversations with industry peers.

At the same time, try venturing beyond your comfort zone and considering people who have diverse backgrounds and strategic visions. Every business can benefit from unconventional players, rather than just the people who seem like the prototype for the role.

“Seek out diversity to make your company and yourself stronger from the very beginning, don’t treat it like an ‘extra’ that you can bring in at a later date,” recommends Dorr.

As a recruiter, you have the responsibility of being transparent about your goals with potential partners. That will help you filter out anyone moving in a different direction to you. For example, you may want the startup to be acquired quickly, while your prospective partner has their heart set on building a legacy for themselves. Such mismatching goals are best nipped in the bud.

How do you seal the deal with a co-founder?

Usually, a co-founder becomes official once equity has been distributed. It’s your responsibility to negotiate how many shares you want to divide with your new partner. Many entrepreneurs suggest a 50/50 split for fairness, while others advocate handing out shares based on the co-founder’s value or contribution.

Wheatley says that “a common mistake is giving someone 10 percent and expecting them to do the same amount of work as

you.” Dorr believes an equal allocation is best “unless someone is making a significant financial investment.” That is, if one of you has more money invested in the company, think carefully about proportional equity.

If you’re considering appointing equity based on your co-founders’ contribution, consider their skill set, experience, education, investment and responsibilities. Rose recommends projecting into the future to come to a decision. “Imagine that it’s a year or two down the line. What do you think the input and value of each co-founder will have been at that point? Use that to retrospectively decide what the right split is.”

Whichever option you choose, you should have legal safety nets in place. One of them is to have a vesting schedule, which means that any equity that’s been allocated will be distributed over time, rather than in one go. Not having a vesting schedule means you’re vulnerable to your co-founder suddenly leaving and keeping their equity without having contributed proportionally to the company. Rose also suggests co-founders have IP assignment agreements in place from the start.

“These legal constructs can make a split as amicable as possible because they set a formula for the next steps,” Rose says.

Besides equity, defining time commitments, salaries and voting powers will seal the deal with your co-founder. Write what you decide into a contract as early as possible in the company’s lifecycle and refer back to it if the agreements aren’t upheld. Dorr recommends using “OKRs or KPIs to make sure that there are tangible results delivered by both founders.” Think of your contract as a “prenuptial” agreement where you specify what the vision is and how it will be actioned.

If you do decide to work with a co-founder there are serious

steps to be taken to guarantee the fit is right for you and the business. You'll both be expected to commit full-time to start and be flexible on the road ahead. And while there are no templates for co-founding a business, if you use the advice of those who have gone before you, you can quickly discover that there really is strength in numbers.

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