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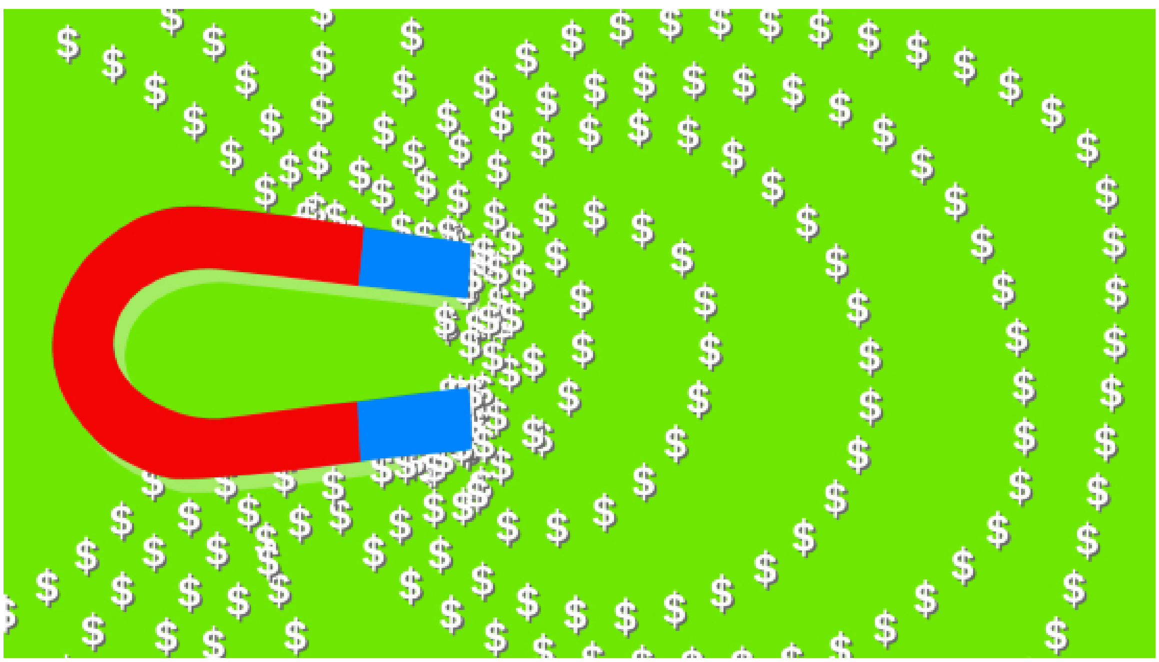

HBR Staff

Since its HBR debut in 1995, the concept of *disruptive innovation*—the process by which a smaller company with limited resources is able to launch a product or service that displaces established competitors—has been extensively incorporated into startup vernacular. Entrepreneurs often use a version of the phrase when launching products, raising funds, unveiling strategies, hiring teams, and engaging partners.

Yet we do not know much about how entrepreneurs are integrating the concept into their identities and what consequences this has for their startups.

Research has previously shown that "entrepreneurial identity," or how one defines and identifies with his or her entrepreneurial role, affects a startup's ability to amass key resources. So we aimed to characterize entrepreneurs' identities according to whether or not they referred to themselves and their startups using the language of disruption, and then we looked at how this affected their ability to attract and retain two types of critical resources: financial and human capital.

It turns out that the phrases entrepreneurs use to describe themselves and to position their startups on sites like LinkedIn function as a useful window into their entrepreneurial identities. We conducted an investigation of 2,000 entrepreneurs across 950 randomly-sampled startups based predominantly in the U.S., pairing their LinkedIn profile data with Crunchbase data on their startups' funding (average of $25.8 million in disclosed funding), full-time employee "FTE" counts (average of 148.4 employees), and FTE start and end dates (average of 2.5 years tenure).

When examining the LinkedIn profiles for the presence of the root "disrupt_," we noticed something interesting: those entrepreneurs who did not mention *disruption* tended to instead embrace the language of *building* by favoring the root "buil_," with minimal overlap between the two groups. The entrepreneurs in these categories did not markedly differ in terms of age, gender, or years of experience, but disrupters were significantly more likely than builders to be serial entrepreneurs.

Entrepreneurs who used the root "disrupt_" in their profiles identified themselves as "disrupters" and their startups as being "disruptive," associated with "disruptive technologies," or involved in "disruption," though few used the term "disruptive innovation" in its entirety.

One example of a LinkedIn profile for a disrupter reads as,

> *Passionate data-driven disrupter and innovator who loves helping fast-growing companies excel. I create the greatest value when leading or advising an organization through an inflection point where there is a need to disrupt existing solutions to achieve growth and value.*

Our linguistic analysis revealed that these same entrepreneurs were also significantly more likely than non-disrupters to use the following words in their profiles: break, dare, first, free, imagine, innovate, play, risk, shift, start, threaten, and turn.

In contrast, other entrepreneurs used words based on the root "buil_," such as build, builder, building, and built, to describe themselves, their roles, and their startups. These same individuals were also more likely to incorporate words into their profiles that describe values related to working together (e.g. agree, collaborate, commit) and iterating on existing ideas (e.g. adapt, amplify, compile, configure).

An example of a LinkedIn builder profile announces,

> *I am a builder of things. My purpose is to build systems and tools that allow for things to be done with greater intelligence, with less friction, and that were before difficult to accomplish. I surround myself with like-minded people who see the possibilities and find a way to make them a reality.*

These two distinct entrepreneurial archetypes were associated with divergent outcomes for their respective startups in terms of the ability to attract and retain resources.

Although our data set revealed that builder-led startups were nearly ten times more common than disrupter-led ones, "disrupter" startups received 1.7 times more funding, on average, than "builder" startups. In fact, the degree to which a startup team valued disruption (which we based on its average composition of "disrupter" vs. "builder" team members) significantly predicted the amount of funds that the startup raised. Controlling for startup age, industry, operating status, and other factors that can affect funding amounts (like entrepreneur age, gender, degree of work experience, and whether or not they are serial entrepreneurs), an increase in team disruptiveness predicted an additional $38.3 million in aggregate funding raised by the startup.

In order to further understand how disrupters and builders differ when it comes to attracting resources, we conducted an online experiment on 100 Amazon Mechanical Turk participants (81.5% with previous startup and/or investing experience). We had them read a company description that featured either disrupter or builder language, holding all other company information constant. Then we asked these individuals how much hypothetical funding they would invest in each startup and found that they allocated nearly twice as much funding to the disrupt condition ($58,018) as they did to the build condition ($29,545). We also asked participants to imagine themselves as prospective new hires and to evaluate how the company makes them feel. We learned that the description of the disrupter startup made them feel significantly more excited, energized, independent, and inspired than the builder startup.

Perhaps by enticing others with their exciting ideas, those who value disrupting things can attract certain resources more effectively than those who value building things. But it appears they are unable to retain those resources as readily. Although disrupters and builders in our Crunchbase sample averaged comparable FTE counts, they had significantly different employee tenure rates. Controlling for business category, founding date, team size, and operating status, average employee tenure at builders' startups was 8 months longer than average tenure at disrupters' startups, which can make a world of difference when it comes to young companies. While investors allocate significantly more money to disrupters, that capital is potentially being deployed less efficiently due to heightened costs associated with recruiting, onboarding, training and severance.

Taken together, our results uncovered two distinct types of people who are attracted to startups—those who value breaking vs. building—and different consequences for their respective startups. Disrupters' flashy ideas may energize and inspire others, but that might not be enough to keep them. Disrupters may also move on to the next disruptive idea once the one they are working on reaches a point of stability, given they display a higher incidence of serial entrepreneurship than builders. Conversely, those who value building something may experience more difficulty in attracting capital (both financial and human), but they tend to stick with the startup for the longer term and seem to influence others to do so as well.

This leads us to think it may be beneficial to associate both entrepreneurial identities with one's startup at various stages in the product lifecycle. For instance, startups may want to enlist disrupters to develop and sell an MVP (minimum viable product) and builders to nurture subsequent product releases.

Understanding that disrupter versus builder orientations are linked to both positive and negative consequences can inform entrepreneurs' decisions around attracting as well as retaining resources. And beyond the startup realm, more established companies may also benefit from recognizing whether the impulse to break or build makes their employees tick so they can match them to the right teams and projects.

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