

## Dialing in Direction: How External Feedback Shapes Startup Purpose

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Purpose is at the core of every business. It drives organizations to succeed in today's complex business environment and has the power to guide decision-making, create positive impact, and give a sense of meaning to every action the organization performs. For startups, external feedback is essential for navigating the early stages and refining their business purpose – the tendency to derive meaning from the entrepreneurial process and incorporating a sense of intentionality and goal-orientation that creates (positive) impact – or simply put, the reason for a startup's existence. However, the way feedback shapes early-stage startup purpose varies depending on its source.

### The Power of Different Feedback Sources

Since feedback is a fundamental part of startup accelerator programs, we conducted interviews with founders from ten early-stage startups in a German university accelerator program from 2020 to 2021. During this program, the participating founders attended coaching sessions and workshops on business development and impact. In addition, they had access to alumni startups, mentors (industry experts), investors, and potential customers. Our research identified four main sources of external feedback – coaches, customers, mentors, and peers – affecting the direction and clarity of a startup's purpose.

#### 1. Coaches: Broadening Perspectives

Coaches often help founders to see beyond immediate business pressures. Their feedback can prompt founders to rethink and expand their vision beyond immediate financial metrics to encompass broader impacts. Coaches challenge founders to include social responsibility and sustainability into their business models, thus broadening the startup's purpose. As founders engage with this holistic perspective, they often find that their purpose becomes more aligned with long-term value creation, moving beyond short-term gains.

#### 2. Customers: Reality Checks and Realignment

Customer feedback acts as a valuable real-time test for whether a startup's offerings meet market expectations. Adjustments made from customer insights can redefine a startup's purpose to better serve user needs. One founder noted, "We got a lot of feedback from customers, and I would say that this feedback was always the most beneficial in terms of defining the product, tailoring it, and finding the product-market fit", leading to a sharper, more market-aligned core purpose.

#### 3. & 4. Mentors and Peers: Confirming and Challenging

Feedback from both experienced peers or mentors can either confirm or challenge your current direction. Feedback from industry experts who offer a mix of wisdom and critical questioning can be particularly helpful. A tech startup founder explained how a mentor's challenging questions prompted a pivot from a service-focused to a product-focused company, better aligning with market needs and the team's strengths: "If you have not found the one tiny niche yet for your purpose, then it's a little bit difficult, and these people help to define this".

### Practical Guidelines for Founders

To effectively utilize feedback in shaping your startup's purpose, consider these three key practices (see also Figure 1):

### The Feedback-Purpose Wheel

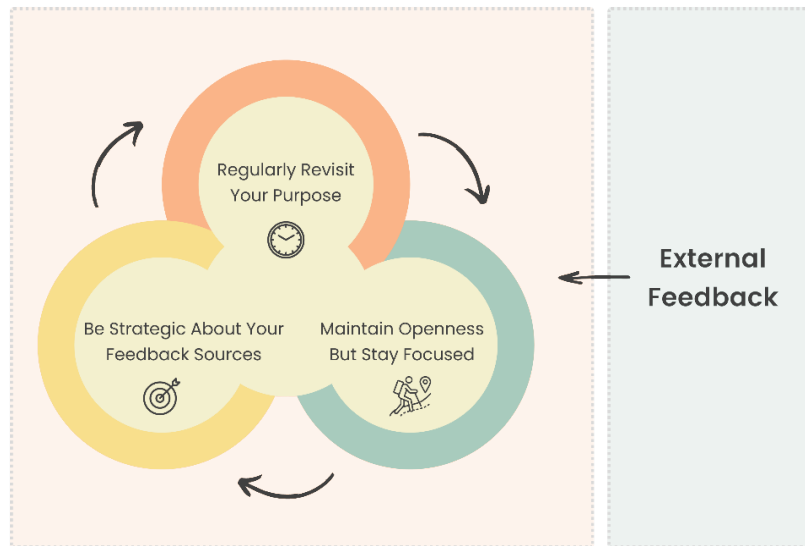


Figure 1. The Feedback-Purpose Wheel.

- **Be Strategic About Your Feedback Sources:** Not all feedback is equally useful. Prioritize feedback from sources relevant to your industry, strategic goals, and stage of growth. Early feedback might be more beneficial from seasoned entrepreneurs who have successfully navigated this phase. As your business grows, the feedback from current customers and industry experts who understand the evolving market can offer critical insights that align directly with your operational challenges and opportunities. This targeted approach will help you to refine your business purpose more effectively, ensuring that it resonates with your core values, and supports sustainable growth.
- **Maintain Openness But Stay Focused:** While it is important to be receptive to feedback, maintaining a clear focus on your startup's values and long-term vision is equally important. Be flexible enough to pivot when necessary but also remain committed to your goals when feedback confirms that you are on the right path.
- **Regularly Revisit Your Purpose:** Set regular intervals to review your business purpose in light of new feedback, such as every quarter or after achieving major milestones. This ensures that your purpose evolves in alignment with market demands and your long-term vision. During these reviews, consider whether slight adjustments could broaden the scope of your purpose to include environmental and societal benefits. Reflecting on these dimensions might lead to a more holistic business approach, strengthening your brand's integrity and community engagement.

### Turning External Feedback into a Strategic Tool

Feedback is not just about correcting your course; it is about fine-tuning your startup's strategic direction. As summarized by one founder: "Feedback is always great because you always have that known blind spot. Sometimes you just don't see things. Feedback can help you to enhance your

horizon.”

Acknowledge feedback as a strategic asset. When receiving feedback, it is important that you deliberately decide on what to do with the feedback – integrate or not. Feedback does not have to change your startup’s purpose if it is not aligned with your objectives. Validate the feedback, test it against your assumptions, values, and goals. If it aligns, use it to not only adjust your product or service but to continually refine your startup’s direction. The right feedback, handled well, will not only guide your business decisions but also strengthen your market position and sharpen your North Star.

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