Guest

Avnish Bajaj is the co-founder and Managing Director at Matrix Partners – a Venture Investing firm, a firm that he set up around 11 years back. He did this at the back of a successful exit from Baazee.com when he sold it to eBay for around USD 55 Million. In his own words, he has been a serial brand collector before he took the plunge and started eBay. He is an alumnus of IIT Kanpur, Harvard Business School, Apple Computers, McKinsey & Co. and Goldman Sachs.

In our conversation, we spoke about the various transition points in his journey till date and discuss how he thought about some of those forks in the road. He talks about what his views on what it takes to succeed as a Venture Investor. We also talk about his views on entrepreneurship given his experiences as an investor and an entrepreneur in his previous innings.

Context to the conversation

Welcome to the tenth conversation of the Play to Potential podcast series. I am Deepak Jayaraman, the creator and curator of this series of conversations. In each conversation, I talk to an accomplished individual and discuss their perspectives on leadership, transitions and careers. My guest this time is Avnish Bajaj. Avnish has been an investment banker with Goldman Sachs in the U.S., an entrepreneur at Baazee that he successfully sold to eBay subsequently and a venture investor at Matrix Partners India for more than a decade. In our chat, we spoke about how Avnish thought about the key pivotal moments in his life, his perspectives on entrepreneurship, venture investing as a career and much, much more. So, without further ado, over to the conversation.

Transcription

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Deepak Jayaraman (DJ): When you graduated from Harvard business school in 1998, you joined Goldman Sachs. I noticed that you'd done your summer internship with McKinsey, which is where I spent a little bit of time in the US. I am always curious, in a lot of ways, in B-school, both Goldman Sachs and McKinsey go after a similar pool of people at some level, in terms of the high achievers. So, how did you think about consulting versus banking at that juncture?

Avnish Bajaj (AB): So, I would say, and we will come to the Baazee story later, if you look at my history, I was checking almost all the boxes. Went to Delhi Public School, went to IIT, wanted to go to Stanford or Berkeley, didn't get in, so went to Wisconsin, and worked at Apple. So, I am a brand collector and a degree collector. Then, I went to Harvard. So, McKinsey and Goldman, the boxes had to be checked. Once I Interned at McKinsey and by the way, at Matrix, you have a bunch of people from McKinsey; I think it's a great institution and brings a lot of training and learning that others

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don't but I realized very quickly it wasn't for me. I would have gone to McKinsey if I couldn't get into Goldman. And by the way, there is another side of, maybe the personality it's almost unheard of to get into Goldman Sachs with no background in finance. So, for me, that was a challenge. The most sought-after office in Goldman at that time was the high-tech group in San Francisco. That was the most sought-after, so I had to go after that. That is just how I'm made. Also, when I was at McKinsey, I realized that strategy pushed me into structuring common sense better. Goldman, I had no clue what I would love, because I felt that it was a technical subject of which I knew nothing. So, for me, that also became a reason to go after that, and the money was going to be better. So, it's nothing more profound than that.

DJ: But with the wisdom of hindsight, would you have done it any differently? If you went back to that decision point?

AB: No. I wouldn't have started Baazee without having been at Goldman, because I was part of the team that took eBay public. If you ask me, until then, I had not understood the power of the internet as a geography-levelling medium. I had understood internet as a distribution channel. Yahoo was there with news, obviously with search; it was a content search engine. Netscape was there. I was in that era. The fact that eBay woke me up to the fact that people across geographies can actually transact on this medium. That, to me, was a blinding insight. At that moment, frankly, it came to me that some of these models are going to be far bigger than the content-push models, the ones that connect either people or geographies. I wouldn't have learnt any of that if I wasn't at Goldman A.

B, I would say, there is an element of an edge that the Wall Street banks have which the consulting firms are, and I don't know how best to put it, but a notch lower in it. Maybe it's the aggression; it is the Wall Street culture. The fact that my lifestyle would matter, absolutely, would be at the bottom of the priorities for any of the people at Goldman. Even if they knew something could be done on Tuesday, they would give it to me on Friday evening, because that's a rite of passage. I, actually, really learnt a lot from them.

It kind of was the cherry on top of the HBS education which I think made me a lot more confident. Also, very early this happens at McKinsey also I was advising Disney, or Goldman was advising on the Disney-Infoseek merger. And there was this moment where I was with Michael Eisner, Tom Staggs as CFO, the partner on the deal, and me four people having a private dinner in one of the fancy restaurants in New York. I mean, a lot of those things give you a lot more confidence. And looking at those people and saying, they are great, but it's not like I can't ever imagine myself being there.

DJ: And in about a year and a half, you came back to start Baazee.com. You began to talk about it. The question was going to be what triggered it. It looks like it was taking eBay public which was a trigger, was it? For you to come and start Baazee?

AB: No, it wasn't. I would say entrepreneurship was highly desirable as a career for me, which looking at my own background we'd grown up as central government, and middle-class kind of background was not very obvious. If I think back today, I wouldn't have ever acknowledged it at that time it was just, I wanted to get rich quick, but on my own terms. I didn't want to work for anybody to do that, but I did want to get rich quick. So, entrepreneurship seemed to fulfil both those objectives: get rich and on your own terms. So, I actually struggled in systems like Goldman even, because following instructions doesn't come easily to me, as my wife will also say.

At HBS, we had done a field study. We came to India. We were looking to start an IT services firm. I came and met Mr Narayana Murthy; I went and met Mr Ashank Desai of Mastek. We went and set

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up all these meetings, which they were kind enough to do, to really understand what niche we could focus on and build our IT services business.

DJ: As part of an HBS project?

AB: As part of the HBS project, we did that field study because we actually wanted to potentially do that right after HBS. So, this entrepreneurship bug was there. After that trip to India, I decided I didn't want to come back in India and I didn't want to do that kind of business. Two reasons: didn't feel much of a buzz in India frankly, felt very old school. For somebody who had been in the US for maybe only five - six years, it just still felt like a huge gap. And second, felt that the IT services business was a body shopping business and it was about visa management which we didn't want to do. It was a body shopping, visa management, logistic business. Heard some horror stories about how people would fly over there and then call a friend of mine who started a small IT services business, got a call at weird hours saying how you work the shower and stuff. Didn't want to do that.

Therefore, went with Goldman, as we discussed earlier. But this bug never stopped. I met Suvir, my co-founder, at HBS. We had kept in touch. He was at BCG in New York. We used to keep thinking about business ideas and remember, this is dot-com bubble days so, we kept churning through idea after idea and then it all kind of came together. By the way, when we moved back to India, we didn't have this eBay idea. It was one of the ideas. Suvir had come to India for some project in late 1999. He knew that I was very close to saying I want to do something, but India was not in the consideration set. I was actually looking to potentially join a company in Latin America and run their Latin American portal which, by the way, the whole life path would have been the different, office in Rio, office in New York and I had gone through multiple rounds of interviews with that company. Then, he called. Then, one of my seniors had come back to India to start a venture firm. His name is Ashish Dhawan from Chrys Capital. He called and he had done this entire Brazil gig in his earlier life, and he said, look, I have been there, done that, this is the time to come to India. I sometimes thank him and sometimes blame him for making me make the move, because the alternate was Rio and New York. So, it was a combination of that.

And then, there was a personal side to it. My dad had Parkinson's through most of the '90s and it was getting to an advanced stage, and my sister was actually moving the other way. She was going to move to Canada. So, when you put it all together, it just felt like the right move.

DJ: But when you moved geographies, the Baazee.com idea hadn't taken shape?

AB: It was, me and Suvir had shaken hands and had said, we would do something. And there were five ideas, one of which was auctions, one of which was essentially a Rediff but more youth-focused, one of which was city-focused portals. By the way, over the next six–nine months, all of those ideas were launched by somebody or the other, because it was happening everywhere in the world. So, yes, there were five. By the way, eBay, if you go and check, actually listed in late-'98 and later secondary in '99. And that model was doing really, really well. The results would come out. So, as we had come here; I would say, probably, in a month or six weeks, we narrowed down on the auctions idea.

DJ: I am just going back to that moment in time, let's say, having that chat with your boss in Goldman Sachs and not having an alternate in hand. That must have been a hard plunge to take.

AB: Yes, I would say, probably one of the situations where, when I look back, I wonder whether it was thought through. When I landed in India, it definitely felt like it wasn't thought through, because we also realized there were no internet users in India although there were hoardings everywhere.

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So, yeah, I would say, not just with my boss at Goldman, with my father who, like I said was, central government. He' s like, you are giving up a job that is going to make you 200,000 dollars and I was in debt, by the way; I came to India with 85,000 dollars of debt and he said, what are you doing.

Now, there was one piece that I missed along the way. There was one guy who, as we were churning through different ideas, we used to reach out to. His name was Scott Murphy; subsequently, became a US senator. When I finally went to him, he said, 'Avnish, I have seen you make so many business plans. I know you can use Word and PowerPoint really well. I don't know if you have the balls to actually take the plunge.' And I said that, well if I do, I don't have the money. And he said, 'OK, walk with me.' We walked to his office. I thought it was going to be a mentoring chat. He went in, took out his cheque book, and said, 'How much?' And so, he wrote down a cheque for 20,000 dollars, which I used to buy the plane tickets, laptop, because he knew I was in debt and he said, 'I am sure you will be fair to me.' No discussion of terms and he said, 'I am sure you will be fair to me. If and when you start something, give me equity.' And he made, at exit, 12x or 13x his money. And I remember his wife calling me and thanking me saying, we just bought the apartment next door or we did something with the apartment next door, basis that return.

DJ: And sometimes these small, one is what the money is worth but also psychologically…

AB: Absolutely! Like you said, not just the cheque, but that confidence and also the kick that you are very good with PowerPoint and Word, but will you actually do something?

DJ: So, Baazee.com and then the bubble burst very quickly, around 2000. Walk us through that phase. The reason I ask is, there are enough discussions that happen around entrepreneurs having resilience, but I am always curious about what that means. How does it get really tested and how does it show up?

AB: I think I will give a little bit more context prior to that, because I think it applies to any entrepreneur who happens to listen to this. I never rule out the role of luck but I also say luck is the clichéd preparation meeting opportunity. Now, if you look at after we landed, we raised 21 million dollars at a valuation of I don't know a few hundred crores within six to eight weeks with three rounds of funding, including the last round being led by News Corp. When you have a lot of money, resilience comes easier. The point I am trying to make is there were enough people at that stage who were saying why do you need it, why do you need to do this. And to me, one of the core reasons Baazee survived, other than the fact that we may have learnt on the job and done a great job over a period of time, was that we had raised enough money. To me, a strong balance sheet gives you strategic flexibility and often people miss this, especially in India. They try to over optimize along the way. So, we got lucky. We raised a lot of money but that's because we also were very good with PowerPoint and Word, and we had been preparing for a long period of time. As soon as we saw an opportunity, we jumped on it and that's a theme which plays out with Baazee over a period of time.

After that, I would say, the second place where part luck, part what we did and I would give Suvir also credit for this quite a bit is, we had built a very good, strong, solid team very early, and this was before the bubble burst. The fact that they joined us before the bubble burst may be not a big deal. We were getting talked about a lot, a lot of money raised. The fact that we managed to retain them through the worst of times, and not just them, all of Baazee, over three-and-a-half, four years; total involuntary attrition was 10%.

DJ: And how did you do that?

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AB: It was a family culture. So, by the way, when eBay acquired us, they did a market benchmarking, and the average salary went up 40%. But people made a lot of money; our ESOPs went all the way down to the office boy. So, that's just a financial way of doing it. There are a lot of non-financial ways of building that ownership.

These were still the days where I remember, I used to go to some offices and when the founder, promoter would walk in, people would stand up; we were on first-name basis. So, today, that is considered par for course. It was very unique at that point. And I was with the eBay India country manager earlier today and we were planning the Baazee reunion next month, which happens every year, where the attendance is 60–70% and people fly in globally. So, I think, managing to create that. It is no one single formula, but it was a meritocracy, no politics, open door, highly performance-oriented culture yet caring. And caring would come out in different ways when somebody was having problems, right from the top down, they would get help. So, I think that was a very big part of us being resilient. So, we had a bank balance and we had an emotional bank balance. So, both were there, which makes resilience easier.

Then, I would say, we learnt on the job with a very smart team which was very open. We kept learning on the job and navigating the changing environment. Again, timed certain things which I would think, we should take credit for. At the absolute bottom and nadir of the burst, we acquired our only competitor at a very, very financially attractive construct. And the market just happened to pick up three–four months later. Then, we were in a very good place.

DJ: eBay bought Baazee for 55 million dollars. This was an interesting point in time where you'd hit an important and logical milestone. I am always curious about how people reset their life or reset their goals when they hit such a point. So, how was it for you, that moment in time?

AB: It's a great question. It was actually one of the seminal moments in my life. So, my goal was very openly articulated. I didn't want to make 1 million. I didn't want to make 10. I wanted to make 2 million. That was my goal.

DJ: This was at what point in time?

AB: That was in 1999-2000, when we started. We exceeded that by a few multiples; it wasn't 10 but it was close to it. So, I was done financially. Also, philosophically, even at that time, even when I wanted to get rich, the thought was very clear, that money is the bridge between your needs and your means. Now, what happens in life is, the wants start faking themselves as needs, and the wants never stop. Interestingly, the things that I thought I wanted at the time I wanted to get rich, I never bought after I got rich. I mean, like a Ferrari, never got into cars. So, it's amazing how those things change.

I remember, after the sale, we had been invited to Como, by eBay, for the global thing. I had gone with my wife and I remember having this conversation with her, saying, with the bank balance that we have and assuming we don't invest it stupidly and take a yield of 10%, I don't need to ever work in my life and I am wondering what I should do. And she said, please don't wonder, don't sit on my head.

But on a serious note, I have this framework I have always used in my life: passion, skillset, and opportunity, and you should work at the intersection of the three. And on that, there were other things like teaching. It's a very, very big passion for me. I believe I have the skillset, whether people believe it or not. Opportunity, who knows? Financially, no, but depends on how you define opportunity, because I can add a fourth circle to this, which is meaning. For me, it gives me a lot of

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meaning. So, I had this discussion with her, and had that discussion with myself. Fast forwarding it a little bit, I guess after spending a little bit of time, reached the conclusion that I was still driven by more tangible forms of achievement, not money, but in a more traditional business sense than making that switch to say just personal growth and impact.

So, that thought evolved and along the way, because I had money, I started investing money as an angel investor. And I must have made 15 investments, one of which is, by the way, Cleartrip. I was one of the founding angel investors. There were few others that have been successful and a bunch that have not. Getting involved in Cleartrip, getting involved in another company called Pangea3 which Reuters bought later, I realized that I have really enjoyed that. And the passion, skillset, opportunity framework suddenly started becoming interesting towards investing. I realized I had a passion for it, I was enjoying it. I realized that I did have a skillset, having been an entrepreneur. And there was clearly an opportunity, an emerging opportunity in India. India didn't have any VC firms. So, that's really what then said, you know what, let me pursue this.

DJ: At that point in time, some people go down the path of serial entrepreneurship, saying now that I have cashed out, what's the next big business I can build. So, I was just curious about how you thought about another…

AB: I could give you a nicely sounding answer but the reality is I was just fatigued. The Baazee journey was so tough. And I knew that the internet had not fully arrived. So, if I look at the passion, skillset, opportunity: passion was dulled, skillset was probably there, and opportunity was still a question mark. Which is why if you look at even the Matrix history, we started investing in tech in 2011-12. Before that, we have done maybe one or two investments. We, fortunately, did not well, unfortunately, because we missed Flipkart, but did not invest in the 2007 bubble, did not invest in the 2010 bubble, because having been in the trenches, I knew it was a bubble before it became obvious to everybody. So, I was fatigued. That was one of the reasons.

The second thing was I realized that, I was enjoying breadth plus some depth more than full depth, so working across different business lines. I am really driven by intellectual stimulation. To one day go into a legal KPO business and be a thought partner and have that strategic discussion of saying what is the right thing here and the next day going to a Cleartrip online travel and saying what is the right thing here. I was enjoying that a lot more. So, it was a combination of the two.

Truth be told, there were VCs. I still remember one which had done it with a lot of flamboyance, who came into the Baazee office, sat down and gave me a cheque which said, pay to Avnish Bajaj, dollar 10 million, like fully printed out, saying whatever you want to do, we'll fund. But I knew enough about it by that time, not to get carried away by all that theatrics.

DJ: What does it mean to be an investor after being an entrepreneur? The reason I ask is, empathy is helpful, and intrusion is not. How do you walk the tightrope of ensuring that you provide the support but at the same time you hold back so that you are not breathing down the shoulders?

AB: Interestingly, there are obviously a few investors I respect. There's one in particular called Fred Wilson of Union Square Ventures. So, the conventional wisdom in the US over the last 10 years it's the most mature venture environment, and I would argue even in China is that the operator investors make better venture capitalists. So, the people who have been operators in their life or entrepreneurs or some such. Interestingly, this guy just sent an email the other day and he said, if you look at me, meaning him, Mike Moritz of Sequoia, Bill Gurley of Benchmark, none of them have been operator investors. So, there used to be a school of thought, which was probably 10–15 years ago, which said that the best investors in the world will probably have operating background, but

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the worst investors in the world will also be the operating-background guys. And the others, the non-operating-background guys will have lower beta and can still be great investors.

The reason they would be the worst is exactly for the reasons you said and the reason they would be the best is also exactly for the reasons you said. The reason they can be best, they can empathize more, they can relate to situations more, they are able to give better strategic advice, they are able to give better operational advice, they are able to give better organizational advice, everything, because they have been there, done that. The negative is exactly the same reason. They tend to back themselves more. Instead of backing the best founder, they will back their own thesis with the founder. They get in the middle of too many things; things the founder should be doing, they would end up doing. So, the right answer is to be able to figure that stuff out in your own brain and use the positive and not the negative, I think, the best guys are able to do that. Now if you look at the…

DJ: Actually, maybe if I could ask there, what are the one or two things that differentiate the two clusters, the one at the top and the one at the bottom? What about the two clusters would you say could be different?

AB: So, it is not about the two clusters as such. I would say it's a much more philosophical answer. I think, the philosophical answer is, in my view, this business in particular, of venture investing, can be learnt but cannot be taught. So, the question is, how self-aware are you? How much of the feedback loop is working for you? Where have you realized that maybe I was backing myself and not an entrepreneur? Where have you realized that you are getting your hands in the weeds and then it becomes your problem? I think the best guys figure it out.

I have gone through that journey myself. I used to back myself. I used to be telling the entrepreneur do this, do this, and do this. The best returns I have made are when the entrepreneur tells me, no, no, no, because they know what they are doing. And frankly, if you ask me, my own personal journey, the intellectual stimulation of working with somebody who's much smarter than you and is doing a much better job than you ever can, is a whole different thing. So, it's about the self-learning loop that differentiates the two clusters.

One cluster is self-learning, I use the term outside-in, is getting signals. Mark Andreessen puts it very well, that he has four or five people he looks up to and any situation he is analysing, those people are sitting on his shoulders and he is having arguments with them. These are the kind of people who are just constantly making themselves smarter, by examining different angles, taking different points of view. Versus people who are just very inside-out, always very prescriptive, think they know the answers, don't collaborate. I think that's what differentiates great investors. So, it's not as much operators versus none. Operators, because they have been there, have a higher tendency to be inside-out, because they think they know it. The good news about non-operators is they are very open. They don't know it. Operators have a higher tendency to fall into this trap of saying; I know the answers, let me prescribe, and so on and so forth.

DJ: Talking about VC investing, in your experience, what are the typical things that are misunderstood about the career? What are the things that take people by surprise typically?

AB: Matrix is a little bit different in how we operate, so some of the comments I am going to make are industry and then, I am going to talk about Matrix. So, I would say, industry-wise, people feel that it's a lifestyle business. It's a great lifestyle, how hard can it be, you get two and 20, you have management fee coming, you are the boss, you decide everything, all of that thing, you are the person investing. I don't think anybody joins Matrix with that delusion, because they are very clear.

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Our reputation is very clear, that we work very hard, we are hustlers. I think the team here works harder than some of the operating companies. So, that cushy lifestyle thing is a big fallacy.

Also, I would say, people don't realize how hard a business it is when you are putting your reputation and your money, but essentially handing it to somebody else with no control over it, especially if you are a high achiever type-A person who wants immediate gratification, immediate results. You have no control either over the timeline or over the exact path, so neither the journey nor the destination nor the time. So, that is very, very difficult. I would argue, if you just look at physical amount of work, maybe, I would say, in Matrix, physically speaking, I would work, in the hardest working year, same level as Baazee, but median year, maybe 80% of Baazee. Mental stress 1.5x, all the time, because you have so many balls in the air, so many things that are going on. So, I think, those are the things that people don't realize. I think the best people in this business, unfortunately, actually age fast, because there's a lot going on.

DJ: The other piece I am always curious about in investing is, somewhere, the lead time for feedback is also long. So, how do you calibrate if you're doing right, if you're investing right? Let's say, for somebody who comes in from the outside, till you have done your first exit and you have showcased, let's say, the cross-cycle success.

AB: So, there are lots of early indicators. There are enough early indicators and again, like I said, you have to have that self-learning loop, because if you have to wait till exit or write-off before factoring in those new learnings in your next investment. Warren Buffett I was just reading from this Omaha thing; it was been covered in a number of papers I mean, him and Charlie Munger. Charlie is, I think, 93, and this guy is whatever 86 or 90. They still say they make mistakes and they learn. And I have seen enough 28-year-olds in this business who thinks that they know everything and I am not talking about Matrix because if they hear it, they will think it's them but I have seen enough of that. So, I think, it comes back to are you taking that learning loop?

So how do I look at it? One of the early indicators of the success of a company, again, assuming it's a great founder, but how do you determine whether it's a great founder. I would say, the best people meet or beat their commitment consistently. Now, in early stage, that doesn't mean that you have to hit every quarter. It's impossible. There is an element, I would say, in life, in success, in businesses which are more ambiguous, which is investing as well as start-ups. I don't know if you have read this book 'Super Forecasting'. It's a great book. You should read it. It talks about anticipating issues and then taking actions. And then lo and behold, everybody says, wow, this guy is such a visionary, figured it out. But they are able to match patterns and do that. So, how does that manifest itself? What they say will happen, happens. If they say, I am going to meet this number in this quarter, it will happen. Now, given how hard and uncertain it is, it has to be like three or four strikes before you are out. So, the way I see it is, a very early indicator for me in companies is, is the founder doing what he committed he will do. And over a six-quarter timeframe, if that is generally happening, that will be a great result. Then, I will take the feedback loop for myself saying, what I was backing in this guy and how that is playing out. And, let's say, if it was the other way around, then one would say, what did I think I backed in this guy and where did I go wrong. What could I have done differently? That's how you have to measure yourself.

Now there are other markers that come in. In our business, there are things like mark-ups. Now, mark-ups matter because when other investors are looking — and assuming that they are smart investors; most of them are, by the way — so if they are marking your company up, they are also seeing something that you saw. There is a validation, because ultimately when a company has to exit, it exits either as an IPO or an M&A. In either case, a lot of other people are seeing what you see

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and you get markers of that along the way, VR mark-ups and stuff like that, which, to me, are also indicators whether you are doing well or not.

DJ: Talking about entrepreneurs and self-awareness and development, one of the things in start-ups is that the organization often outgrows the individual. I am curious about both, your personal journey in terms of how you scaled up your leadership muscle as you were scaling up Baazee and also as an investor at Matrix. In your experience with entrepreneurs, what do you see the good entrepreneurs do, for them to scale up as leaders as the organization scales up?

AB: Again, it's all about self-awareness and willingness to be that. I remember, 2002, I got an anonymous email at Baazee saying, effectively saying, you suck as a leader. I could see there was politics, negative culture. Now, remember, this was close to the bottom of the cycle. So, I remembered calling all hands and saying, hey guys, I don't know enough how to do this. I am, in some cases, younger than you, but if we're going to have this culture and if we can't have the freedom to actually say these things openly to each other, then we have a bigger problem. We all should go home. I don't want to do this. I would appreciate that whoever has written this email raise their hand and tell me what the issues are. One guy did the guy who had written the email.

DJ: In a public forum?

AB: In a public forum. And I was ready to get humiliated. I think that was the key. The fact that I was okay with that. He gave me great feedback. I learnt leadership from him. I had done a performance review of my directs and they came back and they said, you have done just a very horrible and demotivating job. So, to be able to take that in the right context. It keeps going back, is you self-aware, are you willing to learn. A lot of things cannot be taught. They have to be learnt. So, I would say, the ones who scale know that.

Now, in a different context, the question is, should founders leave companies? I am a big believer of founder-run companies. Whether you look at Amazon, Tencent, Alibaba, Google, Facebook, the companies that have really scaled, were all founder-run. The best founders figure out early, like what I was saying, where they need help. Mark Zuckerberg got Sheryl, Larry and Sergey got Eric Schmidt, Bezos got nobody but Bezos was a little bit more seasoned when he started. By the way, originally Steve Jobs got John Sculley, then, obviously, he got John Sculley fired, but that's separate. So, I think, the best ones are extremely self-aware, very willing to learn and change. Sometimes, some of them will not be able to scale, and, I think, there, again if the self-awareness is there, they will hand it over to somebody.

So, on this point of scaling with the company, like I said, there has to be that self-awareness and there has to be that kind of a ruthless desire to learn and get better and personally improve, without ego. So, I spoke about leadership. The other piece was, frankly, I didn't know what strategy meant. I went for an HBS reunion in 2003 and attended one class with Rob Kaplan on strategy-focused organizations, and it was a eureka moment. I would argue that was one of the inflection points for Baazee, because we came back, Suvir and I, we took an offsite, went off, and figured all of that stuff out. But again, there was a ruthless desire to learn and the teacher could have taught, but we, I think implemented it really well.

DJ: Back to entrepreneurs that you back. The Wi-Fi password here is Founders First. What do you mean by that? What do you look for in founders? Are there three or four traits of an entrepreneur that you look for and how do you look for them?

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AB: In venture investing, everybody will say that they invest in a team and a market. The rub comes when you have to pick one over the other. So, it's a shitty market, a great team. Will you do it? Or it's a great market but the team is not up to your standards of some sort. Great team, great market, great. And probably it will be overpriced, nobody will make money. So, when we have to make that trade-off, we trade-off on the side of founders. We have a philosophical view point, and I have seen that happen even in a portfolio, that the best founders are not here to waste time. If the market doesn't play out the way they think it was going to play out, they will create a new market. Well, actually, Facebook, the market was tried to be pioneered by Friendster and MySpace and all of that, and look at what Mark Zuckerberg did. And social networking didn't exist as a market. So, they create stuff. That's how we are founders first. Now, that has multiple implications. We'll try to back the best guys, but to your earlier point, how we work with them is also critical. You can't back the best guys and then go and say, do this, do that. Then, it is the intrusion point that you were making. So, how we work with them are also founders first. We put them first. We have an internal framework called FIMM: Founders, Investors, Matrix, Me. That's the value system, and there founders are again first.

The second part of your question was what you look for. There is an art to this business. If there is ever an art, that is the art. I am a big believer that you can learn over a period of time. I think my own people evaluation skills were average. Today, I would think they are better, and that has happened over a period of time. It's more easy for us to spot things that are negative than things that will make somebody a great investor. So, I would say we have this category of where we say we are not going to invest. That's easier to get to. Maybe integrity, maybe capability, maybe something, it's always a combination of attitude plus aptitude. And there are things we look for. We look for hard work, hustle, but anything I tell you you are going to say that sounds obvious. THe question is, I think, where the art comes in is there will always be some positives and always are some negatives. How do you put it all together and in that story is it a yes or no? Ultimately, investing is about saying a yes or a no. It is that judgement and judgement is the hardest part of this business. That judgement when you say a yes or a no. That part is not something scientifically you can put down. Now, there are tools we use, and again, it goes back to the outside-in view of the world. Reference checks, go spend time with them in the market, go spend time with them on the product rather than sitting in your room and creating analysis of models, but those are just proxies.

DJ: If you take stock of life, it's been a decade-plus in investing?

AB: Yeah, sadly, yeah!

DJ: How do you think about life ahead? How do you think about what the goalposts should be for yourself?

AB: I think, the goalpost is very clearly, for the last decade also, just pure achievement. And in my own way, not maybe in a broader sense of the term, but impact. So, for me, the impact is personally speaking, the way I think of myself and then some version of that permeates throughout the firm if I could be involved with creating 10-plus billion-dollar companies. Right now, the count is, maybe three or two, three on the way whatever. Involved in creating I am not talking about the money made just that impact, the thought partnership with those entrepreneurs. For me, that is what drives us. I would say, as a firm, therefore, we think about should we be in business, should we have 30 to 50% market share or the best founders over the next decade. We think, the market share of market capital will follow, because that's our approach. So, we are really, really founders first in that regard, and frankly, that's what drives us.

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DJ: Which element of entrepreneurship do you think is least understood? Given the excitement around entrepreneurship as a concept, a lot of people are taking the plunge straight out of IIT. In your experience, where do you see people having a blind spot?

AB: I don't know if it's least understood because you did mention it earlier. I think, maybe the resilience part of it. I mean a lot of the other things you will see in normal management or business textbooks, but just that character. And I would say, resilience, even in the face of adversity. It is probably theoretically understood, not practically internalized when people start it. When it hits them, that's when they realize.

DJ: And maybe that's sort of an interesting juncture to talk about your episode in the context of what happened at eBay, and also recently, I think, the Stayzilla founder went through a tough situation. So, what does resilience mean in practical terms for an entrepreneur?

AB: Perseverance in the face of adversity. I mean, it's a very simple definition. There is this poem by Rudyard Kipling, 'If,' which I just got reminded of the other day when I was hearing somebody else's podcast. That poem used to really motivate me. It talks about how essentially you can go from rags to riches and let that not affect you, and then throw it all away and let that not affect you, and the reason is that 'if' you can do this, then the last line is, you will be a man, my son. And that really has always resonated with me. And it's probably something I will give to my son when he is, whatever, 16. So, to me, that equanimity, having this drive, this passion and getting in day in and day out and doing stuff. Yet, when the cheese gets moved, to have that maturity, that gravitas, that equanimity, whatever, to be able to switch context and handle that situation. I think that's what separates the men from the boys.

DJ: Specifically, large institutions. As entrepreneurs, you are always opening doors that are bigger than you or dealing with institutions which are often much bigger than you. For example, the legal system is one where you feel like an inconsequential pawn when these things happen. So, any insights on just how to deal with these large institutions when you go through these phases?

AB: So, I think, one of the things that we have not done well enough, even in my experience, I realize that post facto, is that one has to think about the fact that one operates in an ecosystem. And some concept of risk management and some concept of, and by the way, this is not just in India. EBay when they pioneered the model in the US, Meg Whitman, I think, had an arrest warrant or there was some enquiry for some gun sold in New York, state of New York, on the site. So, the models were not understood. And then, there was a new legislation that came in. So, I think, recognizing these things upfront, maybe, therefore, having some stakeholder management over there is important. It's very easy for us to say this is India and this is a banana republic, which often it is, but to actually be able to recognize that this is part of doing business in a disruptive model and you have to slowly educate people about that disruption. I do think that's something that people should know.

DJ: You went to Harvard Business School. In your experience, what are the three things you wish they taught you at HBS?

AB: There are so many. I could have a podcast on just what all I have learnt post facto. Now, that is not a ding on HBS, because for me, I owe a lot of who I am today to HBS. You go into a wringer and you come out and you are a transformed person and you can't pinpoint why. And that's what HBS did to me. But I didn't know what leadership really meant, I didn't know what strategy really meant, I didn't know what execution really meant. Now, these sound like standard management one-on-one things that you can teach in business school. Still, it's very hard to figure it out, even in a case method. Simple things like management practices, like you need to have one-on-ones, you need to

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have things that circle back, align incentives, all of that. It's all theory until you practice. So, I sometimes wonder whether people who go back to these Executive Education might actually be taking away more from it. So, these would fall in the bucket of the three things that technically are part of business school, but actually, can't really be taught. But if you ask me these are not the big things. These are one of those things where I say, you can teach certain things and you can learn certain things. These you can actually teach and people can learn.

Then, there is the people angle, the empathy. The fact that everybody has to figure out their balance of EQ and IQ, which is a continuous journey for most of us. I don't think that can be taught even if HBS tried. The judgement ultimately, life is about judgement. Success or the lack thereof can, ultimately, be traced back to a series of decisions that were made over a point of time or period of time and each one of those is a yes or a no or a maybe which is the worst answer. The yes or a no is judgement. How do you teach that? But you can learn it. I think, you can learn it by always pattern-matching things that are happening around you and seeing what is a high co-relation to success and where you are co-relating. It's very hard to explain. Therefore, I said, it's something that can be learnt but I think life ultimately comes down to judgement.

DJ: The two questions that people have to answer over a period of time are where to play and how to win. In summary, any headline thoughts on how people should reflect on these two questions?

AB: We had discussed this in an earlier part of this interview, which is the passion, skillset, opportunity framework. I have used it myself. I have seen a lot of people using it. As it turns out, I was reading a Japanese book by the way, I think one of the best ways of growing in life is to read a lot, I think, it is called Ikigai. There are four, which is meaning. I remember, my Baazee parting talk was about four pillars of life and now you can always put it in frameworks. So, I do think that where to play is at the intersection of passion, skillset, and opportunity. On a lighter note, if you have passion and skillset but no opportunity, you will be happy but poor. You can go with each of these and you can come up with some optimality. So, I think, at the intersection is where to play.

DJ: And if I may double click on that, skillset often is visible; it is on a CV. Opportunity is often visible; it's the market. How do you decode passion? What's been your experience in figuring that out?

AB: I think it's the shower test. By the way, we ask this to some of our entrepreneurs. If you had all the money in the world what would you be doing? That's your passion. By my definition, I have all the money in the world now, because I don't need more than that. I would be doing what I am doing. That's my passion. So, to me, that is the test. Now, I would also probably be teaching. Therefore, there's somewhere in the back of the mind that agenda.

Reflections from Deepak Jayaraman

DJ: What would you do with your time if you had all the money in the world? It's an interesting way of framing the problem and looking at the options in front of you. It's a similar insight that came up in my conversation with the stand-up comedian Papa CJ who pursued an MBA from Oxford and then was a Management Consultant but then chucked it to become a stand-up comedian. He talks about a similar issue where he says that if you had a billion dollars in the bank, what would you do with your time? That's the key question, especially when you are at crossroads. Hope you found the conversation purposeful. I look forward to having you in one of my subsequent conversations of the Play to Potential podcast. Thank you for listening. For more, please visit audioboom.com and look for Play to Potential or subscribe in iTunes. Bye now.

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Avnish Bajaj - Nuggets

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- 10.11 Avnish Bajaj - What they don't teach you at HBS

About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work here.

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