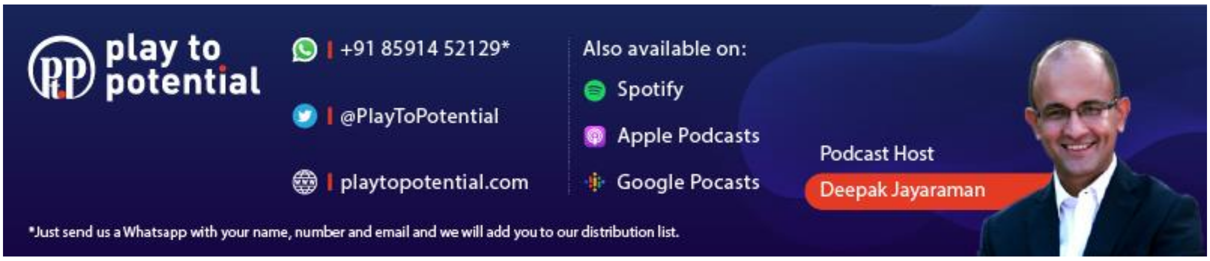

Guest

Sanjeev Aggarwal and Hari TN have seen the "scale-up movie" in different contexts. Sanjeev was the Founder CEO of Daksh that he eventually sold to IBM. He is now an investor at Helion Ventures and Fundamentum Partnership. The have recently co-authored the book - From Pony to Unicorn - Scaling a Start-up sustainably. From Pony to Unicorn lucidly describes the X-to-10X journey that every start-up aspiring to become a unicorn has to go through. The book effortlessly narrates the fundamental principles behind scaling. Peppered with anecdotes, insights and practical wisdom, the book is a treasure trove of lessons derived from the authors' rich personal experiences in both building and guiding several start-ups that went on to attain the 'unicorn' status and became public-listed companies.

In the conversation, we speak about how Founders should think about scaling up, the three different rhythms of an organization that is scaling up, how organizations should think about transitioning senior leaders, being deliberate about culture building and more.

Context to the conversation

Welcome to the 71st Conversation at the Play to Potential Podcast. I am your host Deepak Jayaraman. I work with leaders and organizations and help them play to their unique potential by getting to understand their unique context and by helping them with choices around where to go and how to grow. In this podcast series, we feature conversations from leaders from different walks of life on three themes - leadership, transitions and careers.

This episode, we are going to try something different. For the first time, we are going to have two people on the show. I will be speaking to Sanjeev Aggarwal and TN Hari – Co-authors of the recently published book “From Pony to Unicorn – scaling a start-up sustainably”.

Sanjeev is an operator turned investor. He was the founder CEO of Daksh that he later sold to IBM. He is a co-founder at Helion Venture Partners and Fundamentum Partnership. Hari started his initial years in Tata Steel after graduating from IIT-M and IIM-C. He is an accidental HR professional and happened to join Sanjeev in Daksh. He now heads HR for Big Basket and is a keen writer and an advisor to VCs, Accelerators and Entrepreneurs. I wanted to have both of them in the conversation as they bring very different perspectives to the topic of scaling up sustainably.

Without further ado, let us get into the conversation with Sanjeev and Hari.

Transcription

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Deepak Jayaraman (DJ): Sanjeev and Hari, welcome to the Play to Potential podcast, excited to have you.

Sanjeev Aggarwal (SA): Likewise, Deepak, it's a privilege to be here.

DJ: As I was mentioning before we started recording, this is the first time we are doing a two-member panel on the podcast so excited for trying out this format. Before we dive into the book which will be the meat of the conversation Sanjeev and Hari, From Pony to Unicorn, I would love for you to maybe share your journeys in brief with the listeners so that they get a context of where you are coming from and what led up to this book if you will.

SA: Okay. So, Deepak actually my professional career has really been in three buckets. One was as a corporate executive. I started my professional career working with DCM as a management trainee, which was a very good development ground in the 70s and 80s. And then I had about a 15-year stint in corporate India. And my second stint was that of an entrepreneur, where I helped start a business process outsourcing company called Daksh, which was acquired by IBM. And my third innings is around venture capital investing and company building, where I have been involved with two venture firms Helion, which tilts more towards early stage and fundamentum which I am doing along with Mr. Nandan Nilekani, which is more aligned towards scale up stage. So, one of the privileges that I have had is to be able to see things unfold in India's entrepreneurship firmament from very close quarters, and seeing these companies grow and scale we thought that we would try to put all our learnings together and kind of put it in form of a book and Hari has been a partner in crime now across many companies where either we were working together like a Daksh or portfolio companies of Helion where Hari was a member of the senior leadership team. So, in that sense, we have seen each other's skills from very close quarters. So, we thought that we can put our brains together, because we have come from the same context, and that is the origin of this book.

DJ: Lovely. Maybe before we go to Hari, Sanjeev if I may, you know, one of the themes we are curious about in this podcast across conversations is around how people transition from one orbit to another. Do you want to share some headline context around how you transitioned from the corporate world to entrepreneurship and from the entrepreneurial world to investing, if you want to provide a little bit of context there?

SA: Yeah, sure so, actually when I turned 21, this was in 1980, I started a company and given that I didn't have too much maturity at that point in time, I did that for a year and then went on to do my business education and started to work. So, I did realize that I did gravitate towards entrepreneurship very naturally. And in my corporate career also I was attracted towards new projects, turnaround, so I was not happy with business-as-usual situations; I used to be more like an intrapreneur in a corporate setting. So, obviously that urge was there to give expression to that underlying desire to fully leverage my potential. So, from that being an entrepreneur inside the organization, I turned a full entrepreneur. And then when I was doing my stint as an entrepreneur the chance to engage venture capitalists came into play because we were raising money from folks while building Daksh. And when Daksh was sold to IBM, I had to make a career choice and very clearly, I thought that having learned how to build a scale company in a compressed timeframe how can I leverage my learnings to make a larger impact not only on one company but multiple companies. So, I think, that's the transition from one to the other and my learning is that when you are in a particular career you always get cues if you are honest about your next move. So, in that sense, I think it has been a very organic process, because I have still stuck to the same strengths, which is reasonable strategic thinking, ability to empower people and then strive for excellence if I may say so about myself. So, I think those principles haven't changed across these three different careers and there is a pattern, I mean, one leads to the other. So, in that sense at one level I have stayed within the same ecosystem; it is just that I have changed the context every now and then. And that also keeps me very energized and young, because there is learning curve which is in play in every stint.

DJ: I love the way you put it, you know, you keep the core at some level the same but you listen to cues and you sort of move maybe from one context to another without fundamentally, you know, shaking the core.

SA: Yes, I think that would be a very good summary.

DJ: Lovely. Hari, maybe a little bit of your journey including the transition points?

TN Hari (Hari): Yes, Deepak, you know, this is the first time I am actually listening to how Sanjeev described his entire professional journey and it is a bit strange that I relate to it a lot and we seem to have a lot of similarities. So, my own professional career too can be broken up into three large buckets. The first 14 years I spent working with the large company Tata Steel. First 11 years in engineering. I love engineering; I deeply, deeply love engineering and the last three years in human capital. I never dreamt that human capital would excite me or that human capital was an exciting function, but then when I went into it and then I realized the potential it has of impacting an organization I actually fell in love with it in some ways and it became a placeholder for me for the rest of my life. So, Tata Steel was an exciting place, but at some point of time I also realized that I was a bit of a rule breaker and intrapreneur and Tata Steel was a bit too slow and bureaucratic for my liking and I decided to explore opportunities in a more fast-paced world. And that is how I ended up at Daksh. I think, in my last conversation with you, I described the story of how I landed a job at Daksh. It was such a big accident and then you know.

DJ: You should spend 30 seconds on that Hari; I think it's worth talking about…

Hari: Yes, after working for 14 years at Tata Steel it is pretty much difficult to get out because you get branded. So, I tried everything possible and even, you know, somebody told me why don't you send your CV to a consultant, pay them 500 bucks and they will spray the CV to a bunch of companies and I did that and one of the consultants received the CV and put it up to Aniruddha Limaye, who was the VP HR at Daksh and then Aniruddha spoke to me, he liked me, brought me for a meeting with Daksh with Sanjeev and that is how I actually made it. I still remember reading Sanjeev's interview notes after I joined the company where he had written that, you know, does not have sufficient experience in human resources, but is a first principles thinker, smart guy so let's take a chance on him. Precisely, I think, those were verbatim the comments that he had made. So, that is how I landed up a job at Daksh. So, the next 18 years for me has been with a string of high growth start-ups and the last six years I would say has been my third stint, which is the last six years overlaps with the 18 years, which is my stint at BigBasket where I really began exploring things outside the company I worked for, began engaging the ecosystem in a very big way, began working with entrepreneurs, talking to founders, writing books, writing a lot of stuff, sharing insights and doing all of that. So, that is pretty much the third phase of my career. And like Sanjeev said, you know, if you are honest you keep getting these cues from time to time and you just need to discover these cues and stay honest to them and finding a new phase of your life or discovering that isn't very difficult if you look for these cues. And I have been a bit of a strange combination between being contented on the one hand and having a deep desire to also simultaneously explore new things, do new things, you know, something very deep inside which makes me want to do new things. But at the same time at some level, I am also contented. So, at BigBasket I thought I might lead a contented life but then the deep desire to do something alongside BigBasket was what propelled me into engaging with the ecosystem, talking to people. So, I love talking to new people; I think, that is where I really these days get the kick in life, talking to new people, interesting people, engaging with them on solving problems and all of that. So, pretty much that is me Deepak.

DJ: Lovely. Thanks Sanjeev and Hari. Maybe with this let's dive into the weeds. I read your book From Pony to Unicorn with a lot of interest, right and as we discussed offline, the primary lens through which I was trying to understand and learn were around, you know, how can founders scale-up, how do they think about culture, how do they think about transitioning heavy hitters into an organization where often a different kind of talent is bubbling up and so on and so forth. So, would love to explore some of those as we move along but maybe the one thing that strikes me is both of you had several years of experience before you sort of got into the entrepreneurial ecosystem, right? You know one understands that the average age of the founder in the Valley is much higher than the average age in India is given as you look around and your engagement with the ecosystem and the founders and the teams, what implication does that have for the kind of scaffolding that they need as they sort of build around companies, build their own companies rather?

Hari: Great. So, I think as you said founders in the Valley typically tend to be, you know, have more years of experience than founders in India and I think that has implications in the way founders look at org building. So, having exposure to working in companies I think provides individuals who go on to become founders the building blocks for creating and scaling companies. So, I think there is that advantage of having worked in companies, seeing how organization processes work. And I think this applies in the technology domain as well. So, for instance, the average age of a developer in the U.S., in the Valley is about 10 years more than the average age of a developer in India and that has implications on the way the tech teams architect platforms and systems. So, the 10 years' advantage has given them an opportunity to have seen multiple scenarios and the way platforms eventually go on to scale and some of the challenges in scaling So, that helps them to architect systems better right from day one. Whereas, the young developers tend to learn on the ground by doing things, making mistakes as a result of which, you know, problems begin to show up at a later stage and correcting some of those actually takes a lot of time, effort and money. And in terms of scaffolding, I would say some of the scaffolding is difficult at a very early stage to create but the scaffolding automatically gets built as the start-up begins to scale. So, if a founder or the start-up is operating in a domain where the market opportunity is big and there's a mega trend, their scaling comes pretty much automatically, even though there may be a tendency to falter a bit, scaling happens naturally. And once scaling begins to happen then the founder has access to the right kind of scaffolding which is the right kind of mentors, the right kind of seasoned leaders that they can then go on to hire and who would be happy to join this founder. So, that is the way I would see it. I think at an early stage, at a very young age the founders in India who are young may tend to falter a bit, but if they are operating in the right markets, some of those errors or inexperiences tend to get overlooked because of the huge positive push that a great market, great product market fit can do and they can access that scaffolding a little later.

DJ: And how do you think about the entrepreneurs walking the tightrope between having the conviction in going behind an opportunity versus being influence able in terms of getting the most out of these mentors and individuals who come along, any observations there?

Hari: Sanjeev, you want to take this on?

SA: Yeah, happy to and actually to your earlier question Deepak if I may add an alternative context, which is that it is not really about young founders or old founders, I think it is about founders who have first principles thinking and founders who don't. And in my professional career as a venture capitalist, I have examples of many successful founders who are not young in terms of their years. BigBasket is a very good example where I think the average age of probably the three founders was

50-plus when they founded the company. And Livspace, which is another of our portfolio company in online interiors business also the founders are probably late 30s in that range, while we have a portfolio company like PharmEasy, where the five founders their average age is probably less than 30. But the common theme that I see run across these guys who are building scale companies is they all think from first principles and they don't think from a template and they discover the template along the way. So, to my mind that is the way I would distinguish founders, the ones that have first principles thinking and the ones that don't. And probably age is not a metric at least in my head. What was your next question? I am sorry, I lost my

DJ: I think it was about the walking the tightrope between convictions and being amenable to critique / input, right? How do some of these individuals strike that balance? That was the question.

SA: Yeah, I think these first principle thinkers one thing that they demonstrate is that they are very agile learners and building a business actually comes naturally to them. You basically need to work with them on how to have more disciplined growth, but once you debate with them and you engage them and you expose them to some alternative thinking, I think the advantage of backing these first principle thinkers is that they are very learning agile and they pick up new context very quickly. My personal belief is that in company building you really need three rhythms: growth, efficiency and foundation and any entrepreneur has a bias towards growth. But what separates men from boys are the ones who also focus on efficiency and foundation, which happens in a very, very early stage in their thought process of building a company. So, I think young or old the ones that are learning agile are very good at actually absorbing these multiple contexts.

DJ: And when you say efficiency, could you expand on that, Sanjeev?

SA: Yes, doing things without any waste you can also call it how to do a profitable growth. So, you know, being very frugal in your costs, being very good at investing where one should invest. So, you have X number of resources, how best you can utilize them and the biggest resource being capital and talent. So, that is the aspect of efficiency. So, how do you make sure that your growth is profitable and your growth is not unprofitable? So, if you have good efficiency orientation and sometimes if that is not your DNA you have a very able CFO who is driving that rhythm in the company. And then foundation is do you have a good security architecture? Do you have good ethics across the organization? Is there a strong value system that is embedded deep in the company? So, I think playing to these three rhythms really helps create built to last companies.

DJ: And you briefly alluded to this Sanjeev, you know, maybe different people might provide oversight on each of these three rhythms. Any… do you see these rolling up to… not in a formal way but from a heavy lifting perspective do they naturally lend themselves to certain roles these rhythms?

SA: Yes, actually one very simple way to think about this is that I will simplify it further to say that there is one role of growth and other role of say efficiency and foundation or you can say there is a role of vision and forward-looking and then there is a role of minding the store day in and day out. And in our book we talk about this rhythm of Brahma and Vishnu that entrepreneurs are very good at envisioning a future and if they can surround themselves with a Vishnu who excels in day-to-day execution then magic happens and, you know, if you look at all great entrepreneurs in the country like Mukesh Ambani, for example, he has Mr. Modi who plays that role of getting it done or if you have Sanjeev Bikhchandani at Naukri, he has Hitesh Oberoi as his ally in making sure that there is world-class execution. So, founders can think of themselves as more the visionaries because that is a very intrinsic capability that is hard to inculcate and then surround themselves with an execution person. So, a CEO / COO combination can do wonders to disciplined growth.

DJ: And moving forward, in the book in one of the sections in page 166 you lay out a 2-by-2. As an ex-consultant, I was naturally drawn to the 2-by-2 where you have, you know, two axes, right? One is the criticality of a certain variable in the scaling journey and second is the founder competence on the axe on that particular variable. And you go on to say basically that human capital is critical but paradoxically founders are often low here in competence. So, I was curious what's been your observation around how some of the smart founders navigate this issue in terms of building let's say human capital intelligence around them?

Hari: So, Deepak at one level, you know, human capital is a very simple thing and it has got to do a lot about common sense, but it is extremely nuanced I would say and not very amenable to linear thinking. So… and lot of the left-brained individuals who are good at analytics, number crunching, strategy, they therefore struggle a bit in trying to understand these nuances of human capital. It is like, you know, image recognition. The more images you feed a machine the more it begins to recognize better. So, the algorithm keeps improving the more data points it sees and the same thing applies in some ways to human capital which is the more scenarios an individual is exposed to, the more nuances an individual sees, the better and more sophisticated an understanding of all the human capital issues. So, that is the reason why I think some bit of grey hair and experience is essential to understanding human capital issues. But as Sanjeev said, you know those with sound first principles thinking and an open mind can accelerate that journey very significantly. And I think, you know, one of the founders, important for one of the founders to be able to take charge of the human capital side of the firm and not necessarily delegate that to the human capital team I think delegating it to human capital team is a serious problem. The role of an HR Head is to really assist and work very closely with the rest of the leadership team and one or two founders on some of those strategic interventions of a human capital and how to make them effective in an organizational context. So, I think that is very critical. So, at a very early stage when a founder is learning the ropes, I think self-awareness and being able to reach out to specific friends, individuals in the ecosystem with an aptitude for human capital issues from time to time is going to be very helpful. So, I think being able to reach out in a structured way, you know, once a month or in an unstructured way based on a specific issue transaction is a way in which founders can find their way around this I would say.

DJ: A related point you talk about in the book is around culture, right? And I think Hari you talk about in BigBasket, you talk about driving customer centricity and urgency as two of the things you identified as something that you wanted to drive through the organization, but you go on to say that you succeeded in driving the former but not the latter as much through the organization. So, I am curious in your experience how can organizations be intentional and deliberate about culture from day zero when they set out?

Hari: Right. So, let me just talk a little bit about the point that we made about BigBasket being very successful in driving customer centricity but not being able to drive a sense of urgency both though we have called out both of these as core elements of our culture. I think the point that we are trying to make through this is that culture is never about stated intents, it is never about espoused values, it is about what the leaders do every day, it is about the behaviours that they display every day, it is about the kind of things that are recognized and rewarded every day. So, what you say or what your intents are don't mean anything when it comes to culture. So, when it came to laying out specific aspects of our culture, we realized that customer centricity is deeply reflected who we are already, because BigBasket was a very customer-centric company, but a sense of urgency did not reflect who we were but we thought it is important and therefore built it out or called it out as an aspirational element. And the point I am trying to make is how difficult it is for companies to fulfil an aspiration that requires them to undergo some change in DNA. It is like an individual, a company is like an individual. An individual has a personality, you know some of us are good at something and not good at something and as Sanjeev mentioned at his introduction, and his strengths continue to be his strengths all his life. So, we are who we are. We might add a few capabilities, competencies, skills along the way. We might take off some sharp edges, but we remain who we are and that is true for companies as well. And there are several stories around this. So, the point I am making is it is very difficult to change who you are and aspiration is not sufficient because culture really reflects what you do every day and it reflects your DNA. Coming to your question about how you can be intentional and deliberate about this, I think, we can just take the analogy of an individual. How can individuals be intentional and deliberate about their careers and developing their personality? So, I think, self-awareness is a great starting point because in a start-up culture equals founders' period. I think it is not more complicated than that; it is as simple as that at one level. So, I think the founders need to have a good sense of who they are, what their strengths are, what they are good at and how it would reflect in the way they built their firm. So, I think self-awareness is a starting point and therefore if you are self-aware, you will not aspire to be who you are not, you will try and build around what you are good at and make that work for you. So, it is important to make culture work for you. So, there's no good or bad culture therefore I mean excepting for some culture which can be patently bad or toxic otherwise, there is no good or bad culture as there are no good or bad personalities. All of us have different personalities and we need to make our personality work for us. So, we need companies need to make their organizational cultures as what they stand for, make it work for them. And there are many ways in which they can make it work for them if they understand that well.

DJ: And you also go on to say that there are extremes, right? You have an approach like what Netflix does where you spell out every element of culture and detail versus another approach you talk about Nordstrom, I hope I am pronouncing it right, where you give a broad framework and let people figure out how they want to run within a framework. Do you have any perspectives around how organizations and leaders should think about super micro versus macro when it comes to defining and running culture?

Hari: Yes, so, Deepak, I think from whatever I have experienced or we have experienced both these tend to be a bit of an extreme position. So, I think a broad framework, leaving it to the manager, leaving it to individual leaders to answer questions on culture or explain the nuances I think is a risky proposition because these are not easy to understand topics and most managers tend to be as confused as their team members. So, I think it is important to lay out some very specific aspects of culture and create some beautiful FAQs which can be then published and used across the firm to answer questions. So, for example, integrity, you might call it out as a value and as a culture element, but different people understand integrity in different ways. For instance, somebody might just believe that not stealing is a sign of integrity and that is the ultimate of integrity but somebody else may believe that integrity is about giving credit to some team members if they are not around. It's in being able to say, you know, I don't know when you don't know. So, integrity can be defined in many ways. So, I think it is important for the firm to create, call out some elements of culture and describe how that culture manifests itself daily in the firm through specific behavioural examples. I think that is very helpful. I think going on to spell out everything in detail is very, very constraining and will prevent too much, will prevent, you know, any course correction along the way. Some bit of course correction is always possible and I think spelling things too much in detail will prevent that course correction, and I think it is unnecessary and it is not helpful.

DJ: Sanjeev, did you have any views on this one?

SA: Yeah, for sure. So, actually I think the way to possibly look at culture is also that it is really about values that are lived. And one thing that I saw very closely at IBM which had acquired Daksh that for every value / competency, they would have a role model leader in the company who would come and talk to people who are joining the firm as to how they were living that particular value and competency. So, I think lived values which are co-created and then demonstrated by living people and then embedded in our performance management, compensation is a very good way to ground the culture as Hari said, you may say anything and you may stick anything on your wall, but if it is not grounded and doesn't become part of your DNA then it is practiced by a handful of people. But if you put it in your HR system, then actually the probability is very high that it becomes a way of life.

DJ: And moving on, one of the pieces I want to explore was as the organization starts scaling up, start-ups need to attract experienced talent from the outside and often we find a situation where a young founder needs to lead an individual who has spent several years in the corporate world and probably even from an age standpoint a decade or so or more elder to him or her. What have you seen around making this dynamic work, you know, in terms from both perspectives, from an incoming leader's perspective and from a founder's perspective? Can you talk a little bit about getting this transition right and successfully integrating people from the external world with much more experience?

Hari: So, yeah, I think it is absolutely important to get this hiring right because assimilation of these external hires and their collaborative working with the home-grown rock stars is very critical for success in the next stage of the journey. So, I think the starting point is about getting the hiring right. At a very high level I think one component is very important which is and that is a mistake that a lot of scale ups make when they look for lateral hires and that is the confusion between building for scale and having worked on a scale environment. So, I think assuming that anybody who has worked in a large company who has seen scale can come and build for scale is wrong. I think building for scale is a completely different kettle of fish. It requires one to be very hands-on if required, it requires one to work without a lot of support from anyone else in the organization to be able to roll up sleeves get hands dirty and get stuff done. I think that is very critical for earning the respect of the home-grown rock stars. Home-grown rock stars are very sceptical about leaders who cannot get their hands dirty and who operate and advice at a 30,000 feet level. I think that is the biggest red flag that start-ups need to be aware of. They should not just be carried away by being very impressed with folks who have worked in a scale environment. So, I think they should probe and figure out whether this individual can execute well, can get hands dirty and get things done, has not forgotten the basics of actually doing work rather than just supervising a bunch of people. So, I think, that's very critical. I think in terms of assimilating them after the hiring is done the founders play a very important role, the hiring managers play a very important role and often this breaks down, this assimilation process breaks down because of multiple things and everybody has a role to play I would say the founders and the lateral hires included. I think if the founders continue to keep the communication lines open with the home-grown rock stars that are relatively junior and not engage sufficiently with the lateral hires and build trust with them then I think things will begin to break down. So, it is important for the founders to work very intensely with the lateral hires in the early stages, at least for a period of 30 days get to know each other, help each other get comfortable and then after that can begin to let the lateral hire work on his or her own. So, I think, the 30-day very, very active intense working where they get to know each other better, build trust with one another is very critical where the founders are communicating the right messages to the home-grown rock stars telling them the reason why they hired these lateral hires the seasoned leaders and why it is important for the home-grown rock stars to learn a new set of skills that can take them in the next stage of their career from these seasoned leaders communicating that to them I think is very, very critical. So, I think the founders play an important role and similarly I think the seasoned leaders who come in from outside also have a role to play in their own success. I think they must respect the home-grown rock stars that brought this start up to where it is. I think they must also not overplay the fact that they worked in large organizations; they must display an ability to learn this business from first principles, ask a lot of questions, demonstrate a lot of humility and at the same time also demonstrate some capabilities for which they have been hired. If they are unable to demonstrate those capabilities for which they have been hired then I think the home-grown rock stars will also begin to become suspicious. So, I think the founders as well as the lateral hires both have a role to play.

DJ: Got it. Sanjeev, did you have any view given that you have sort of been an investor in several situations and given your personal experience at Daksh, any thoughts here?

SA: One of the things Deepak that one can think along the lines of is what Hari and you were highlighting how to think about hiring. And I would say break hiring into two components: hiring for values and hiring for capability. Now hiring for capability one can pretty much assess in the interview situation, but hiring for values is very hard to assess in an interview situation. So, one I think one very important key to making this succeed is to make sure that you do extensive referencing on the candidate that you are bringing on-board. And leaders should not delegate that referencing because the input that you gather during the hiring stage is also very useful during the assimilation and development stage. So, I think that is the only additional point I make that hiring be broken into two elements and referencing be given disproportionate weightage because values are very hard to gauge in an interview setting. And I am sure at Egon Zehnder you have seen this movie play out lot more than we have.

DJ: Yeah, absolutely, you know, I was recounting you spoke about some of my colleagues, ex-colleagues, Rajeev Vasudeva and Sanjiv, one of the things they would always say is never miss a step in the process, you know, in the search process each step exists for a reason and never ever miss the referencing process because you will never, you will be surprised by what sometimes comes up. There have been a couple of situations where we were very close to, I personally was very close to an offer and we discovered there was some harassment charges against that person and we had to go back to the drawing board and there's no way we could have discovered these things in a 45-minute posturing conversation. Very true. Got it and maybe taking the other side Sanjeev and Hari, for a senior leader who is at the cusp of making a transition into a start-up, are there, you know, how do they discern a culture from the outside because large organizations often the word gets around, right? If it is a Tata Group or the Aditya Birla Group, generally there's a word out in the market but if it is a start-up it is often hard to discern the let's say the risk of it going wrong and understanding the culture. So, any tactical thoughts on how leaders can de-risk it for themselves in the context of their career?

SA: Hari, you would have probably seen this lot more closely.

Hari: Yeah. Okay. So, I think Deepak, you know, by the time a start-up is ready to hire a seasoned leader it is not going to be very small. It will be reasonably big and reasonably well-known in the ecosystem. So, I think word invariably gets around about the culture at these start-ups. You know, all of us, you know, we know Ola, we know BigBasket, we know Flipkart and the entire talent market has some sense of what the cultures in these companies are. It may not be a much nuanced understanding but they have an understanding on parameters that really matter. So, for example, some companies are known to be very, very aggressive and some companies are very soft, some companies hold individuals very accountable and if they don't deliver, they can let them go very easily and some companies are more soft, give them more opportunities, far more collaborative and less cutthroat and give their people more chances and on an extreme some of them can also hide remain non-performers for a very long time. So, I think and some companies are known to be friendly towards women, far more tolerant of diversity in general whereas some companies have a brew culture where they are not open to really diverse kind of individuals. So, I think word does get around and people have a sense of what will work for them. Having said that, I think many individuals are capable of making multiple cultures work for them and they are able to adapt I don't know what percentage are able to easily adapt and what percentage have to necessarily look for the perfect culture fit, but I think many people end up being able to adapt to different cultures because all of us in some ways are very adaptable unless there is something which is very, very core, which goes against the grain of our values and personality many individuals end up being able to adapt.

Reflections from Deepak Jayaraman

DJ: This is your host Deepak Jayaraman here. In addition to what Sanjeev and Hari say, I would emphasize on a couple of things.

1) Position the incoming leader well
    a. Very often I find that the hiring manager gets a heavy hitter for the right set of reasons but often doesn't communicate some of the reasons why a certain leader is being brought in. Especially when the incoming leader is from a different domain, the organization can have the tendency to judge the leader based on the inadequacies of the past experience rather than focusing on some of the competencies they may bring.

2) Treat it as a 2-way transition
    a. Very often, when a senior leader comes on board, a lot of people talk about the work that the incoming leader has to do to settle. But I feel there is an equally important role played by the hirer.

If this topic is of interest, I might suggest 3 resources at the podcast. First - you might like my conversation with Michael Watkins, one of the leading thinkers in the field of transition acceleration. Second - You might also like my conversation R Gopalakrishnan who has written the book CRASH where he studies 15 high profile transitions that went South and what we can learn from them. Finally you might like the Curated Playlist Settling into a new context where leaders across contexts share their perspectives on how they settled into a new context. You can visit playtopotential.com and access these pieces of content either by speaker or by topic. Let's now get back to the conversation with Sanjeev and Hari.

DJ: And just moving along you talk about a couple of elements in the context of founder skillset and intelligence? One is you talk about founders graduating from smart and hardworking to smart and lazy. I know we shouldn't take the term lazy literally to sort of allude to the notion of prioritizing so that was something that caught my attention I wanted you to expand. And the other was also the distinction between intellects and thinking clearly, you know, and the reason I ask is pedigree is often an indication of intellect but how do you discern your thinking? So, I was curious about your take on both these two things: smart hardworking and smart lazy versus thinking clearly an intellect. I am sort of throwing two questions in because they are sort of around a similar zone so I thought I would club them?

Hari: See smart and hardworking to smart and lazy I think that is really about prioritizing. It is a beautiful way of saying that being able to prioritize is important. I think multiple frameworks have always existed. For example, this framework around urgent and important. We were all told many, many years back right at the start of our careers that there are urgent things to be done, there are things which are not urgent, there are important things are not so important. So, I think what really suffers is the important and not urgent stuff usually gets postponed and what gets picked up is the unimportant and urgent stuff. So, I think, how do founders figure out ways in which they can drop the things which are not important but urgent and focus on the stuff which is important but not urgent. I think that really is the thing. And many founders are unable to drop the stuff which is not important and maybe urgent because it gives them a sense of hustle, it gives them a sense of being busy, lost in activity traps; activity sometimes begins to mean progress, which is not necessarily true. But many people fall for that, which is activity means progress and gives them a sense of accomplishment. So, how do founders learn how to drop those things which are not important? Maybe delegate them or maybe completely ignore them, which is really about being saying can you be smart and lazy, can you prioritize, can you focus on things which are important but may not be urgent but they will become urgent later on if you don't do them well today, So, this is really about being able to find time to do the right things. And the other thing you talked about I think the question was about thinking clearly and intellect. I think, I have understood this over the years. It took me a while to figure this out, which is that I have seen several people who one can classify as intelligent by any means by which you measure them, but I found that they clearly are unimpressive in meetings because they are unable to remove clutter and intellect isn't therefore being able to figure out what drives that outcome, what are the independent variables that drive a particular dependent variable, what are the interconnections, what are some of those patterns but many intelligent people fail to figure out which is the interconnection and which is the driver of outcome which is important. So, again the several drivers that impact profitability, several drivers can impact a particular metric but which is the one which is important, which are the few that are important, how can we take those and how can we figure out that those bottom 10 are not important? So, I think, in some ways it is also about being able to prioritize, it is about being able to draw the right hypothesis to be able to test. So, instead of just boiling the ocean to figure out a few obvious things, can you use all your past experiences to then figure out which are the things that matter and which are the things that don't matter? And you can see them in meetings very clearly, you know, people who cannot think very clearly which come across as very cluttered, they are unable to figure out the same thing and they go all over the place and pay equal importance to the most insignificant driver of a particular outcome, spend equal time on everything rather than spending time on the most important things, identifying the right kind of hypothesis, figuring out whether it is true not true, I think, that is the way I would see it.

DJ: Got it. Got it. And maybe moving forward, you know, one of the other pieces you talk about in the book is around how founders can improve their self-awareness, right? I am curious about your experience in this whole space. As they think about their own evolution, one of the observations I have had empirically; clearly, I haven't spent as much time in the start-up world as the two of you have, but I get a sense that the feedback, there's a lot of noise in the feedback signal at least bottom up coming from the organization especially to founders. So, I am curious about what you have seen good founders do in getting a good signal in terms of feedback and in driving the self-awareness?

Hari: Sanjeev, you want to take this?

SA: Yeah, sure. So, I think a good founder Deepak has really two very good points of feedback. One is the set of people that report to the founder, which is the first line of leadership, that would be the CXOs layer and other layer is the Board of Directors which is comprised of investors and independent board members. So, I feel that the board can give very good input to founder on strategy and business and the executive team can give very good feedback on leadership and delegation and empowerment. So, if a founder wants to know where does he stack up then these are the two constituents that he can look up to for getting a sense of the hard stuff, which is business and the soft stuff, which is about leadership.

DJ: And there in your experience Sanjeev if I may persist how much of this do you think can be done by themselves versus a need for an external, you know, call it whether it is a coach or a facilitator or you know a sounding board. Do you do see good founders being able to do this on themselves? I was curious if you have any observations around this feedback process being done in-house versus being facilitated through an external agency, right? Just to make it comfortable for everybody to share their views, have you had any observations or…

SA: You probably do need some kind of mentor support who is a neutral party and not vested in the success of this enterprise that you are running. So, that is very important to help you become aware that these are two excellent constituents which are actually watching you day in and day out and can give you a very high-quality input about those two skills: business and leadership. So, I think that awareness can be inculcated by somebody who is external unless the person is very self-aware which also happens. But what exactly is one giving feedback on I think that should be discovered by the founder himself by talking to these two entities, but the need to listen to these entities and see them not as either a vehicle of execution or in case of the board people that you are accountable to? So, I think that perspective a good mentor can be very, very useful in helping founder appreciate that there is lot of wealth of information surrounding him and he should tap into those resources. I don't know whether I was sounding coherent or not?

DJ: No, makes a lot of sense Sanjeev, with you. Hari, did you have anything to add there before we move forward?

Hari: Yeah, and I think much more accepting that having some very respectable, credible external party conduct some of these conversations with either the board or with the one downs and then collating that and being able to provide that through a conversation to the founder I think is going to be very helpful. And the second is I think and certainly what Sanjeev said which is an external mentor who has no stakes in the organization who the founder can speak to very openly without the fear of being judged I think is also going to be very helpful.

DJ: And a related point I had was specific to coaching as we think about founders developing themselves as leaders and also just enhancing the capability of the leadership team. I was curious what your observations have been around the role of and I am sort of using the word coaching in a broad sense but what sorts of interventions have helped in scaling up the leadership capability of the founder and the organization in your observation?

SA: Hari, you want to take this?

Hari: Yeah, I can take it but this is not a topic frankly I have a great point of view or experience Deepak.

DJ: Sure.

Hari: I have not seen many cases where either senior leaders or founders have been coached by external coaches very effectively. I am sure there must be if I racked my brain hard enough, there will be a few cases I can surely find and I actually know one or two cases where I am told that apparently the coaching made an impact, very rapidly growing start-up valued at 500 million where the CEO was struggling between work and had a lot of other personal challenges at home and was therefore ineffective on both fronts. I think we got an external coach and that coach who was, the founder was very sceptical, in fact told the concerned board member that you are forcing a coach on me, but then you know, I'll go through this process, but I don't know if it is going to change me in any way. But apparently after three or four conversations and scepticism, a relationship of trust slowly began getting established and things actually changed. So, this is a good story I have heard, but I have also heard a few stories where coaches have not been who don't necessarily completely understand the context have not been very effective as well. So, I think coaching is an extremely difficult art, it is how much of do you coach intensely, do you coach delicately, how do you help an individual discover himself or herself or figure out what's right or wrong with himself rather than a coach stating what's wrong. So, I think that is an extremely difficult thing. But I think if it can be made to work potentially my intuition tells me it will be great, but I haven't seen too many cases like this Deepak.

DJ: Got it. Thanks Hari. Sanjeev, did you have any thoughts on this one?

SA: Yeah, I think I will take a cue from what Hari is saying that one, the coach should have the context of where you are working or operating with and two, and a coach can be very helpful in self-awareness, in appreciating what you are and what you are not. So, I think in a transition a coach's role becomes very important, especially helping you unearth what are your strengths and weaknesses in the new context and what should you be mindful of in terms of developing and inculcating.

DJ: And back to one of the points you mentioned Sanjeev, you said context, right, the coach should understand the context. Could you unpack that a little bit? What do you have in mind when you say understand the context, what are the…?

SA: Yeah, I think little bit about your business and your industry. So, is the business a rapid growth business or is the business a turnaround business, what is the current culture in the company, is it a leadership team which requires being micromanaged or is it a much empowered self-sufficient self-starters type of executive. So, I think these are the kind of things I meant when I said context. That if the setting in which the founder is operating if that is understood then coaching becomes a lot easier and which means also spending some time in learning the domain or the industry within which the founder is operating.

DJ: Lovely. Just moving along in page 112 you speak about founder CEOs and professional CEOs and what I liked was you say that founder CEOs are better at finding cycles while the professional CEOs are better maximizing cycles. And you also go on to say that it is easier to coach the founding CEO to maximize a cycle than the other way around. Could you share the nuance here? How you have seen this play out and how should companies think about the founder becoming the CEO versus getting somebody from the outside to run the company?

SA: You know our experience tells us that by and large a founder to CEO transition is a very hard one. And if you have backed a wrong founder and you are now bringing in a CEO to replace him, you might be able to save the company, but you won't end up building a great company. So, our advice is that one should look for founders that can raddle the long haul because generally founder CEO being replaced by professional CEO is bad news. And what we are trying to say is that things like vision, looking into the future, seeing what's coming next, these are very natural skills that are either there or not. So, it is very intrinsic to good founders. While extracting maximum revenue from a product line or working within a framework comes lot more naturally to professional CEOs because when they work in companies somebody sets the framework and they execute within that framework. So, that probably is our perspective that great companies are really built by founders, very hard to get this transition with a professional CEO. You will create as I said a good company, but if you want to build a great company then you want the founder to go all the way. And I guess there are many examples around the world, best example being Amazon, which was led so ably by Jeff Bezos. When he created so many new lines of business which at times look very disparate but he just kept on creating new engines of growth while the existing engines of growth were managed by somebody else. So, that is the model that we like more, the combination of a founder who is visionary and supported by a Chief Operating Officer who kind of maximizes the product cycle. So, I think that combination helps create long lasting value.

DJ: And in terms of discerning that to use a Hindi phrase "*lambi race ka ghoda*" as they say, what are some of the lead indicators you look for Sanjeev to discern that leadership scale-up?

SA: The one that we talked of earlier, which is first principles thinking because the journey of company building is so ambiguous that in pretty much every step of the way you have to find new answers to a problem. So, if you operate from a very fixed framework then you pretty much don't capture the full potential of the opportunity. So, I think this first principle thinking is a very powerful competency that cuts across all aspects of company building.

DJ: Got it. And moving along in a, you know, running a start-up is an intense pursuit, right? And it is all consuming especially when you have got people backing you, people invested in you then there's a certain flywheel that kicks in. What are some of the things you have seen founders do or not do rather in maintaining the health whether it is physical health or mental health. What's your observation around people in the context of taking care of themselves as they run this ultra-marathon?

SA: Hari, you have seen many founders up close.

Hari: Yeah, I have but I think I am not very sure about this but I can take a shot at it. So, I think some founders, you know, self-aware founders have resorted to stuff like yoga, taking social media breaks and stuff like that or even sometimes actually consulting psychiatrists. I have seen some founders actually reaching out for help specifically to psychiatrists and dealing with some of the troubles that they are facing. But I think it is just important for a founder to be able to talk very freely to a set of close friends. I think the best stress buster that you can have is a loving family or a bunch of trusting friends, trustworthy friends who you can speak to without them judging you because I think founders are going through some really difficult issues. They might be struggling with valuations, they might be struggling with investors not trusting them, struggling with raising money for the next round what to do, they might be running out of cash. So, I think these problems are extremely, extremely difficult to deal with both from a physical and mental perspective. So, I think having a loving family and having a set of friends who they can talk to can be a good stress buster. I have seen some people I told you visit, you know, do yoga camps, Art of Living stuff and even talking to psychiatrists in extreme cases. And many of them of course also are very, very focused on doing physical exercises, very, very, cycling some of them might do, some of them would be doing swimming. I don't know how effective all of these physical exercises are, but I am assuming that to some extent they can keep you fit, you know, a sound mind in a sound body as they say. So, I have seen some of them doing this as well.

DJ: Sanjeev, would you have any thoughts on this?

SA: Yeah, I think just picking a cue from what Hari was saying, I think, it is very important to have your family be totally invested in you becoming a founder. And the spouse actually plays a very, very important role. So, in a way a company building is a joint venture between husband and a wife. And one person says that I will shut my dreams so that you can focus on yours. And when that happens, then you have a confidant, you have a sounding board, you have somebody that you can talk to in confidence with. And I think that is a big part of mental health and also physical health that you have a spouse who is totally committed to your success as an entrepreneur, because entrepreneurship is a very, very lonely place to be at. So, somebody who just thinks of your welfare is a very good person to have on your side. So, that is why I feel that at the time when somebody is embarking on entrepreneurship, it is very important to bring your spouse on-board around that effort. Places where both people are chasing higher pressure careers, I think that can be a pretty hard place to be at.

DJ: Lovely, I think, as we wrap up, this podcast is titled Play to Potential. So, maybe if I may ask a philosophical question as we wrap up, what's your personal take given your journey around playing to potential? What does the phrase mean to you?

SA: You know, if I were to take a crack at it, it means being very aware of your strengths and then understanding what are the gaps and then surrounding yourselves with people who are smarter than you in those gaps. So, when that union happens, I think then excellent things get built. And in Daksh, Pawan, my co-founder and I were very complimentary to each other and we were very aware of each other's strengths and weaknesses. So, knowing what you are not and appreciating other person for that and being mindful that your gap is very important to be plugged by somebody, I think that is a very good way to maximize your opportunities.

DJ: Hari?

Hari: Yeah, I think largely agree with Sanjeev which is I think playing to potential is really about being self-aware and aware of what you are good at and making those strengths of yours work for you and collaborating with people who can fill in some of those gaps. And I think this is really about yourself but I think there is also an external element called opportunity and if you don't get those opportunities you may play to your potential, but I think you may not have outcomes. So, I think an outcome is an ability to play to potential as well as that element of luck which brings the right opportunities that you can capitalize on.

DJ: Lovely. Hari, Sanjeev, thank you so much for making the time on the podcast. Really, really enjoyed the conversation.

SA: Thank you Deepak for having us.

Hari: Thank you Deepak. Thank you so much.

Reflections from Deepak Jayaraman

DJ: Thank you for listening. Hope you found the conversation purposeful. The one thing that really struck me was what Sanjeev said - An entrepreneur needs to solve for growth, efficiency and foundation concurrently. One person may not bring the aptitude for all 3; how do you solve for each of these as an organization scales up is an interesting discussion to have at the top

Just a couple more messages before we wrap up. If this conversation was of interest, you might like my conversations with Avnish Bajaj an investor at Blume Ventures, Karthik Reddy, an investor at Blume Ventures and Dheeraj Pandey, an entrepreneur at Nutanix and Nandan Nilekani who needs no introduction. You might also like the playlist on Entrepreneurship. Please go to Play to Potential.com and go to Curated Playlists. You will find Entrepreneurship in the Career Paths section.

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To know more about the work I do, please visit playtopotential.com and see the About Deepak section. Thank you for listening and look forward to having you at one of the subsequent conversations at the Play to Potential podcast.

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Sanjeev Aggarwal and TN Hari - Nuggets

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- 71.01 Sanjeev Aggarwal and TN Hari - Journey and transitions till date
- 71.02 Sanjeev Aggarwal and TN Hari - Three rhythms of a scale up
- 71.03 Sanjeev Aggarwal and TN Hari - Being deliberate about culture building
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- 71.05 Sanjeev Aggarwal and TN Hari - Intellect and clarity of thought - correlated?
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About Deepak Jayaraman

Deepak seeks to unlock the 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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