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## Context to the nugget

Apart from being an academician, Kartik is also an active entrepreneur and invests and mentors start-ups. So who better to ask, how does one pick an idea to back? Kartik elaborates on three main skills he looks at before deciding to support an idea or a person.

## Transcription

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Deepak Jayaraman (DJ): Apart from being a professor, you've been pretty active as an entrepreneur. You spoke about Yodle, which I am told is one of the 50 fastest growing firms in the US. You are in the advisory board of Milo, which got acquired by eBay. You've invested in and mentored quite a few start-ups. Let's talk about how you pick an idea. Looking at it from a leadership perspective, when you see an entrepreneur coming to you with an idea for help or funding or for mentorship, what are the two-three things you look for to determine if the leader's worth backing?

Kartik Hosanagar (KH): The first thing I look at when I'm presented with a deck is the entrepreneur itself: how well do I know the entrepreneur? Because 80% of my decision is based on the entrepreneurs. So, for example, if somebody emails me and says, 'I have this great idea,' and the idea sounds amazing but I don't know this person, I almost never will consider it. Because the entrepreneur matters a lot to me.

To your question, what is it that I look for in an entrepreneur, I think, the number one skill I look for is tenacity and being hard working. Another thing I care about is communication skills. I think tenacity is important because the start-up journey invariably has a lot of ups and downs; early on, there are more downs than ups, so you have got to be willing to deal with the downs and stand up each time and say, 'OK, I am ready to face a new battle'. So, I think that tenacity becomes super important. Communication skill is again very important, because, as I said earlier, there are more downs than ups, and you need to be able to convince people to work with you and for you, at little to no pay, with all these downs, and that comes down to you motivating them. Finally, in terms of functional skills, I would like to see that they are good at either product or marketing, one of the two at least, so that there is actually some functional knowledge they bring to the table. Yeah, these are the main things I look for.

DJ: When you say tenacity, let's break it down. To make it tactical, what do you look for? How do you probe for tenacity?

KH: I have a luxury that typical advisors, investors don't have, which is that I observe a lot of the entrepreneurs I work with in my classroom. They are often my current or former students, so I have seen them in a classroom, and I have seen how they approach things. For instance, I have observed how hardworking they are in the classroom. Also, I have all these discussions with them. So, if I have a student who is an entrepreneur who says, 'Hey, I want to get your advice, would you join my advisory board,' or who says 'Would you consider working with me,' the first thing I do is, I just put a bunch of hurdles in front of them. I usually meet them and say, 'Why don't you get this much done in the next one week and meet me'. And I do set these high goals and I see how often they are able to meet that. I put in a few barriers and I see how they respond to that. A lot of them give up once they see these barriers, but some of them don't, and that pretty much tells me these guys are tenacious. So, I am fortunate to have that kind of luxury, to be able to see that tenacity as part of my job as a professor, and then apply that knowledge to deciding whether I want to work with an entrepreneur or invest in an entrepreneur. Having said that, I think this is something that almost every VC pays lip service to. Every investor will tell you, 'Oh, we care about tenacity,' and no one actually implements it. Because almost every VC I know makes start-up investment decisions based on three-four pitches. They call the entrepreneur, hear the first pitch, if they like the pitch, then they will say 'OK, we'll do another session where I am going to deep dive into just your sales, another session where I'll deep dive into your product, I'll do a few ref checks...' I don't think two-three reference checks and three-four pitches are enough to tell you how tenacious an entrepreneur is. So, if you really believe that tenacity is one of the biggest predictors, then you have to invest a lot more in getting to know an entrepreneur.

DJ: Building on that, to make it tactical, say you didn't have the luxury of observing them, like you do if it's your student. If it was a third party coming to you for advice, what would you do to determine if they are tenacious or not?

KH: First of all, I will make an observation, which is that, I notice by the time I've met them, they either have it or they don't, so it's too late to teach. To your question, you have to just test and see whether they have it or not, rather than sit and try to teach them. My sense is that it probably comes from their childhood. Obviously, I don't have a window into all these students' childhoods, but I suspect that they have faced somewhat tough situations and handled it on their own. They often don't have parents solving problems for them. My sense is these are the things you are looking for.

How do you actually test for tenacity? I would do it exactly how we do it with my students, which is place some barriers and see how they go around these barriers to convince you. So, I think those barriers are helpful. There's this famous talk by former CMU professor, Randy Pausch, and he says that these barriers and brick walls you run into are there for a reason. It is to convince you how much you are really care about something you're going after. So, it's kind of like that. You just put these barriers and see how they navigate them. I think that's the simplest way to tell it. By the way, on this subject, I am by no means an expert, but my colleague here at Penn, Angela Duckworth, she actually studies tenacity, and she has got a great book on this called, 'Grit,' which I would highly recommend to your listeners.

## Reflections from Deepak Jayaraman

DJ: I am reminded of the story of Pedro Algorta narrated by Claudio Fernández-Aráoz, a prior colleague at Egon Zehnder. In his HBR article titled 21st Century Talent Spotting, he talks about Pedro who was a survivor of the 1972 plane crash over the Andes, where he and a few others survived extreme cold for about a couple of months before they were rescued. And he goes on to say that Pedro with no prior background in consumer goods went on to transform a Brazilian brewery and really took it to new heights. The crux of what he says is that in the VUCA world we live in we often bet on skills and competencies but actually what we need to be thinking about is indicators of long-term potential and he talks about four things in that context. One is curiosity, which is openness to learning new things and taking feedback. Second is insight, which is about gaining energy from connecting the dots. Third is engagement, which is about gaining energy from working with people and the last is determination, which is similar to what Kartik said about grit. Thank you for listening.

## End of nugget transcription

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- 05.00 Kartik Hosanagar - The Full Conversation
- 05.01 Kartik Hosanagar - Academics as a career
- 05.02 Kartik Hosanagar - Highs and lows in academics
- 05.03 Kartik Hosanagar - Surprises in the academic path
- 05.04 Kartik Hosanagar - Impact of technology
- 05.05 Kartik Hosanagar - Backing an entrepreneur
- 05.06 Kartik Hosanagar - Leadership inflection points
- 05.07 Kartik Hosanagar - Building the leadership muscle
- 05.08 Kartik Hosanagar - Building an entrepreneurial culture
- 05.09 Kartik Hosanagar - In summary — Playing to potential

### **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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