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## Context to the nugget

Success of a Venture Investing firm is inexorably tied to the fortunes of the investors they back. Avnish talks about the science and art of how they pick investors and engage with them to drive value.

## Transcription

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Deepak Jayaraman (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?

Avnish Bajaj (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 is 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.

## Reflections from Deepak Jayaraman

DJ: Two pieces struck me here. One is the point Avnish makes about setting your aspirations as market share of founders is an interesting one. In any business I guess it's critical to figure out what are the underlying variables that determine success in your business. In my previous organization Egon Zehnder, we talk about the quality of trusted advisor relationships that the consultants are building over time. The point being if you are building the asset of relationships with the right set of people at the right level to the right level of depth then hopefully the business is an annuity that flows out of it. The second thing that struck me is the notion of judgment that he alludes to. There's a lovely book titled Defining Moments by Professor Joseph Badaracco of Harvard. He talks about the fact that in early years of a leader's growth, they are often making right versus wrong decisions, but as they grow it's often about how you navigate the right versus right and how do you make decision under those circumstances. And that's the muscle of judgment that I see good leaders build as they go through their experiences. Thank you for listening. For more, please visit [audioboom.com](http://audioboom.com) and look for Play to Potential or subscribe in iTunes.

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## End of nugget transcription

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## Avnish Bajaj - Nuggets

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- 10.03 Avnish Bajaj - Entrepreneurial resilience
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## 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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