

The banner features the 'play to potential' logo on the left. To its right are contact details: a WhatsApp icon with the number '+91 85914 52129*', a Twitter icon with the handle '@PlayToPotential', and a globe icon with the website 'playtopotential.com'. Further right, under the heading 'Also available on:', are icons for Spotify, Apple Podcasts, and Google Podcasts. On the far right is a portrait of the host, Deepak Jayaraman, with the text 'Podcast Host Deepak Jayaraman' below it. A small note at the bottom left of the banner reads: '*Just send us a Whatsapp with your name, number and email and we will add you to our distribution list.'

Context to the nugget

Backing the right founders is a combination of a science and an art. How do you back an entrepreneur who has the conviction around his idea but is also amenable to input. At the stage of Venture Investing, a big part of value creation is often around getting this judgment right on the Founder. Karthik talks about what he looks for during investing.

Transcription

Deepak Jayaraman (DJ): How do you evaluate an entrepreneur? In my head, there is a tension between two different elements, one is about the entrepreneur having a certain dogged persistence about an idea, the other is about the entrepreneur being open and willing to input when new funders come in. And it's a fine line. You don't want people on either side of the spectrum. So, how do you walk that tightrope from the judgement standpoint at the time of investing and along the way?

Karthik Reddy (KR): So, I'll answer your first question, which is around, what do we look for in a founder, which actually leads into the next question. Capacity to learn, listen, not be obstinate beyond a point is very, very important in my view. And we will come to the second question but because you intertwine the two questions interestingly, the more stubborn they are in taking inputs in such an early stage of the business, the more unlikely they are to succeed in my view. Because actually at the early stage, you don't know anything. You don't know the challenges of organization building, what the problems set can expand to, which direction it can go to? And that is what actually we look for in a founder. So, all of these are interlinked. What I mean by that is, essentially, we realized that great founders have two sets of qualities around organizations. That it's not about them, it's about building phenomenally great teams and across the board. So, philosophically, you have to be willing to share rewards, you have to be willing to share responsibilities, and you have to be willing to, therefore, take inputs. You have to respect them. It's not about the paper exercise of building a team. If you are not surrounding yourself with the views of people who you respect, then why bother?

And then, extending it one step further, they have to respect that we are partners as opposed to us versus them, and again, if they don't, they will obviously disregard our inputs. The two are intertwined and these are the characteristics you're typically looking for. Do they appreciate the feedback that you are giving? So, it's a double-edged sword. That's why I said, if you are being arrogant about your views, a lot of founders become cynical about why the hell should I take the VC's views? Or anybody for that matter, let's say nine out of the 10 people in the world broadly and we see it a lot more in India than we should in my view and which is why the Valley is the Valley, I keep saying; culturally, the Valley will not dismiss you. And because the ecosystem engages these

guys, it becomes harsh. We put up more barriers and stop listening than they should even though they might have not started that way because they are getting so much pushback from customers, from investors, from some bigger company...

DJ: It's the climate that drives behaviour right?

KR: In some sense, this is what we work very hard to refine. For example, we'll tell our founders that go and meet your competitors, go and have like open dialogues, learn from each other, see where you might compete in future; there is no harm. Don't sit and bitch about it without even meeting each other, which happens. That's the kind of openness we try to build because I take another view. Been in it for six years now and I don't see myself doing anything else in life. If I am doing this for another 20–25 years, I better be in an ecosystem I like to be, how much ever it's been corrupted by somebody else. I'm saying, what the hell, I'm not going to live with a crappy ecosystem and put my life through this. So, I want it to be better and I will fight it. So, I blog about it, I blog about the behaviour, because I said, if I don't fix it, then I'm to blame too. So, that's one aspect.

The other aspect, I think, is truly whether they're passionate about solving a very specific problem and not one of the other two things. So, you say, what's unique in that? I'll tell you what's unique in that. There are lots of founders who think there is a fashionable problem to solve. That's not the founder we are looking for, for one. And the classic, unfortunately, entrepreneur hat that India was willing to put on people was as long as you know *ki 'Achcha business karta hain, ya achcha paisa banata hain, woh achcha entrepreneur hain'*. That's not start-up venture investing. That's every other type of investing but it's not venture capital early stage. If you are trying to pick there and saying I want a decent probability that this succeeds. And look at the odds that are stacked against you. It has to be that this person is passionate around solving something in the world even if he is truly like hard-core Madu-Gujju style wants to make money; it's got to be around that. Then, that passion comes through and then it reflects in hiring, it reflects in your ability to build a business, capital, every element of — not perfectionism but — great product and brand that you build. Without that, it's just *dhandaa*. Let's get it done. And, I think, there's a huge difference. The second difference is it's not about just the problem we are chasing, sometimes people fall in love with the solution they sell. So, they say, this product is a rock-star product. I am saying the customer doesn't think so. No, but I don't care, mine is a rock star. So, if you don't know how to listen to your customer and adapt and not lose sight of the fact that you are solving the same problem. Please focus on the problem not on the solution.

DJ: But how do you suss this out, at the time of evaluating the entrepreneur?

KR: I think, you question them on whether they have thought through what behaviour they are influencing. Why are they doing this? Where was the origin of the problem in their heart? Why did they think they should chase this idea? Sometimes backgrounds throw up cues on this. So, Sam Altman gets credit for it. A lot of us think, but he blogs it better. So, Sam Altman says, I always start with their childhood. So, you want to understand the person deeper and their motivations, not simply the fact that they came up with a cool idea in a college lab and decided they want to become start-up entrepreneurs. That might be good enough; I am not saying no, but at least ring fence the risk. That's all I'm saying.

Reflections from Deepak Jayaraman

DJ: The big takeaway for me was the point Karthik made about understanding the person's childhood. I believe all of us are like icebergs where so much of us exist below the water surface that

others don't see. Understanding that journey often gives an insight into what motivates the person, what is the resilience of the person and why does she do what she does? As we move into a world where intrinsic are beginning to matter more and more compared to past experience, digging deeply into the past has become mission critical for anyone who is thinking of investing behind a leader. If this is of interest to you, you might like to listen into my conversation with Avnish Bajaj where we touched upon some similar themes.

Thank you for listening. For more please visit playtopotential.com.

End of nugget transcription

RELATED PLAYLISTS YOU MIGHT LIKE

Entrepreneurship: We are seeing a renaissance when it comes to entrepreneurship in this country. But it is not an easy ride. Leaders speak about how individuals should think about taking the plunge to entrepreneurship, how they could pick co-founders, their approach to scaling up their leadership muscle and more. You can access the playlist [here](#).

Spotting Potential: As we move towards a world where intrinsic capabilities count for more and more, how we spot diamonds in the rough is a capability that will begin to matter more and more. This is as relevant for hiring as for investing. Leaders across disciplines share their insights on how they look for raw potential that can then be honed. You can access the playlist [here](#).

SIGN UP TO OUR COMMUNICATION

Podcast Newsletter: Join 1000s of leaders who benefit from the Podcast newsletter. Not more than 1-2 emails a month including keeping you posted on the new content that comes up at the podcast. High on signal, low on noise. Sign up for the podcast newsletter [here](#).

Nuggets on Whatsapp: We also have a [Podcast Whatsapp distribution group \(+91 85914 52129\)](#) where we share 2-3 nuggets a week from the Podcast archives to provoke reflection. If that is of interest, please click [here](#) and send a message stating "INTERESTED". Do also add this number to your Phone Contacts so that we can broadcast our messages to you when we share a nugget.

Karthik Reddy - Nuggets

- 13.00 Karthik Reddy - The Full Conversation
- 13.01 Karthik Reddy - IIM-B, Wharton, and path to venture investing
- 13.02 Karthik Reddy - Articulating culture and hiring for it
- 13.03 Karthik Reddy - Pie-chart of time in venture investing
- 13.04 Karthik Reddy - Venture investing — What does it take

- 13.05 Karthik Reddy - Transition pitfalls — Banking, consulting to VC
- 13.06 Karthik Reddy - Settling effectively into venture investing
- 13.07 Karthik Reddy - Picking founders effectively
- 13.08 Karthik Reddy - Dealing with hyper-growth and scale-up
- 13.09 Karthik Reddy - Scaling up the leadership muscle
- 13.10 Karthik Reddy - What they don't teach you at B-school
- 13.11 Karthik Reddy - 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](#).

Disclaimer and clarification of intent behind the transcripts

This written transcript of the conversation is being made available to make it easier for some people to digest the content in the podcast. Several listeners felt that the written format would be helpful. This may not make sense as an independent document. Very often spoken word does not necessarily read well. Several of the guests have published books and the language in their books might be quite different from the way they speak. We request the readers to appreciate that this transcript is being offered as a service to derive greater value from the podcast content. We request you not to apply journalistic standards to this document.

This document is a transcription obtained through a third party/voice recognition software. There is no claim to accuracy on the content provided in this document, and occasional divergence from the audio file are to be expected. As a transcription, this is not a legal document in itself, and should not be considered binding to advice intelligence, but merely a convenience for reference.

The tags that are used to organize the nuggets in the podcast are evolving and work in progress. You might find that there could be a discrepancy between the nuggets as referenced here and in the actual podcast given this is a static document.

All rights reserved. No part of this document may be reproduced or transmitted in any form or by any means, or stored in any retrieval system of any nature without prior written permission.