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## Context to the nugget

Scaling up the leadership capability of the entrepreneur and the top team needs to go hand in hand with the business scale up for sustainable growth. Karthik talks about the role of vision, purpose and culture in the early years of a start-up.

## Transcription

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**Deepak Jayaraman (DJ):** What have you seen in terms of good practice for entrepreneurs to scale up their leadership capability as the organization scales up? What do good entrepreneurs do?

**Karthik Reddy (KR):** You know we used to joke about it in business school, what is vision, what is mission. It's almost disastrous if you don't have it in a start-up. It's counterintuitive actually. The start-up needs it more than the big organization. The big organization reflects it in the scale to which it's already been built. My last day job was in *Times of India*. You go and interview 10 people, you'll figure out the vision-mission for yourself. It's there. It might not be perfect but it will be 5 on 10 to 8 on 10 with everyone. In a start-up, you don't define that it can be 1 to 10. A founder thinks he gets all of it, somebody down the line doesn't know. So, one, ability to articulate that, define that. It goes back to purpose: what are you solving? What are you building? Because to me, that attracts the best talent that attracts the most missionary of team members, and eventually the leadership that you might want for your company. If they're not married to the idea, and you're trying to hire them in, you better be at like a few hundred billion dollars of value. Somebody is coming for a job again. So, I found that the best founders are actually able to win the best people from the market, basis this, not simply throwing money.

**DJ:** Vision and purpose.

**KR:** Which if you had thrown money then you fall into these traps of having built organizations at random scale too rapidly without having any emotional connect with whatever you're doing. At first drop of some situation, whether it's funding or whatever, all of them will run out of the door. I'm coming up with empirical things on the fly, but it's like if you're coming up with a need to negotiate everybody's salary down by 20%, eight out of 10 times, it's probably a problem. That means there it's coming from salary, it's not coming from what you are selling. I think that the best leaders I have seen have built on that former premise having this in place. Again, all things which we in HR courses used to laugh about — culture setting can go so wrong so quick, it's not funny. Because an organization is a baby. It's like teaching cuss words to a child can go very wrong. It's so fragile in that sense that if the leaders are not working around fixing that very early... Sometimes you're not capable, you're maybe not confrontational, and so you don't talk about it.

DJ: Just building on that, are they at a point in time in life and maturity to understand the nuances? Back to your point about no substitute to experience.

KR: You are right in that. So, some of them get it intuitively. That's why I think the best founders are the best founders because they just get it. Others seek help, others don't, and don't get it. So, that's your matrix. There's a disaster waiting to happen. They should ask and honestly we didn't realize that that might be the biggest ask or that box could be the biggest ask of us in the various things that people can ask. And you don't know how to offer. You can't go there and start coaching them on this. It's got to be intuitive. So, one, you try to gauge it at selection and then, you are hoping that this person acknowledges who he's got on board and knows how to ask. Which is why, for example, I feel a lot of angels to be very disappointing, because they think it's about cutting the 10-15 lakh cheque. It has nothing to do with that. It's about all of this. If you are not there for that person, you are effectively taking a blind punt on the fact that they will figure this out, entirely on their own.

So, the other interesting aspect is which I think is a good predictor of this in long term, we need to organize that data so we can actually predict this at some probability who referred this person? So, who do they look for mentorship, who are they connected to, who has judged them enough that he thinks it's worthy enough to risk their goodwill to pass on the lead to me. All sorts of behavioural curation have already happened. So, you just take that cue and run with it. That's exactly what we are doing in one case now. Lead came through one founder. I think, he's too emotional, so he won't apply a different lens. Put it to another founder. Both founders we respect and love a lot. Both are fund one founders. Both gave a thumbs up. We'll finally do the deal.

DJ: Rajeev, who's now the global CEO of Egon Zehnder, he was a partner in Delhi, he would always say, 'When you source a leader through another referral, whom you trust, who is an accomplished leader and a trusted leader, that always carries higher weightage and you can pound the table with a lot more conviction than somebody that you pick up from LinkedIn.'

KR: We get 3,000 pipeline; probably 750 to 1,000 are referred. Now, within that there is some 10 grades of references. The banker who met you at a conference also refers, your founder refers, your LP refers, and your friend refers. Everything is a different call. I wrote this in my blog and said, unfortunately, you have to come to us referred to have a decent probability of even getting heard. That's our pipeline. It's not like I don't want to help you but I want to say this upfront.

DJ: That's why Wharton has letters of recommendation. I mean, everybody can write a CV. You need some market validation.

KR: Absolutely. These cases, it's all about that. There, whatever said and done, unless the guy is a criminal or something, he just comes two years and goes away. Here, you're putting millions of dollars behind this person. This is a bigger bet. So, you better get it right as early as possible.

## Reflections from Deepak Jayaraman

DJ: The key takeaway is that as one is building out a firm, it makes immense sense to reflect hard and put a language to the culture you want to build and keep that front and centre of everything (recruiting, performance management, promotion, investing and so on); The example that comes to mind is J&J which had a Credo that was articulated in 1943 (about 75 years back). It is a succinct one page document which talks about how they are accountable to the medical community, families, employees, communities and shareholders in the order and if they did this they would make good sustainable returns over the run. What is more fascinating is how this has permeated various parts

of their organization across geographies and businesses. In a young organization, the risk of divergence is so high when you have 10, 20, 50 people if they aren't aligned on the culture.

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## End of nugget transcription

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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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