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Context to the nugget

Tarun talks about the realities of building and measuring trust. He shares some of his thoughts on how entrepreneurs could take his central idea of creating the conditions to create and bring it to life when they work with multiple stakeholders. He urges the entrepreneurs to pick one stakeholder group and build trust with them as a starting point before looking to build trust with the entire system which can seem like a daunting task.

Transcription

Deepak Jayaraman (DJ): Back to the point about what gets measured gets managed and especially if you have taken risk capital and you have VCs following you and who set metrics what have you seen about measuring trust, again not to make it too numeric but what are some of the insights around how an entrepreneur could calibrate himself or herself on whether they are doing enough to build trust in the ecosystem as they focus on their core business as well?

Tarun Khanna (TK): So, before I answer that with a partial and unsatisfactory to me answer let me address just the side comment about risk capital and VCs I think one of the reasons it's very hard to do what I am advocating must be done is that it itself requires an ecosystem change you are absolutely right in saying that the convention of VC and I have got a lot of VCs and private equity guys invested in my various ventures by and large I don't find them sufficiently thoughtful about different realities in which these businesses are being built or to put it more what they end up doing is finding those very narrow circumscribed segment within which the necessity to create conditions to create is relatively less in other words some sectors require less infrastructural support they are relatively easier to pull off so you find risk capital going into there, I don't blame them because that's the ... where you make a buck but if they were to recognize that to build other kinds of ventures including for profit ventures that additional metrics would be needed to recognize the centrality of the trust that's the long conversation with the venture capitalist or the private equity guy who typically has a funds structure where he has got limited partners and their money needs to be returned in the X years and essentially he has forced to start from the standpoint of the entrepreneur behaving not in the best interest of the enterprise when his fund is due to be retired there's just no structural fix around that particular constraint, so the VCs are as much a source of the inertia of the system as many of the other actors so that's one comment, let me turn to the measurement of the trust because it's a hugely important issue the one that I have thought about and I am thinking about a fair bit I don't have any silver bullet answers to be perfectly honest the one thing that I can say is that in all the vignettes and stories that I profiled in my book one thing that's clear is that when you are communicating this ethos of trust it almost always suffices to do it in the initial term for one category of stake holder, in other words there appears to be some sort of human level reassurance that people draw from let's say the fact that your employees really trust

you and your turn overs are extremely low. Lower by the than you would predict by the kind of industry that you are in or the size of business that you are for example piece of the rest of the stake holders in the system potential collaborating partners provides as a capital etc. seem to draw a lot of human level reassurance from the idea that there is a critical bunch of people who trust this guy a lot enough to stick with him and maybe get benefits are significantly lower so there must be something more to the enterprise than what's trying up in the P&L and in the balance sheet so let me also take a leap of faith so therefore it's not a corollary to that is that it's not as difficult to create this ethos of trust in the entire stake holder system if you just get started if you just get up and get on with it so that's the one issue, and the second corollary is that in principle one could measure these things, so it's a tricky exercise as an academic I don't know how to write a rigorous paper measuring this because I don't know how the econometrics would work out but at a practical level as an entrepreneur I don't think it's that hard once you put your mind to it and once you recognise that the cultivation of trust should also be a central core objective of your interest of creating a venture that impacts at scale once you do that you can start with the single stake holder whether its providers of ideas, providers of capital, providers of talent, cultivate the trust with them and use that as a de-facto signalling mechanism to other stake holder to this is how you can go and those things can be measured a little bit better.

Reflections from Deepak Jayaraman

DJ: Couple of takeaways for me here. Whether I am a Venture Investor or an entrepreneur trying to solve a problem at scale, I need to have a fair share of Organizational Health metrics apart from outcome metrics. As I think about what health metrics to track, it is helpful to have a few metrics that indicate the level of trust the organization is building in the ecosystem.

The second piece that I takeaway is that like most situations where you are trying to drive change through a complex system, you start somewhere with a certain set of stakeholders and then build on it as you move forward. Again, one may not do this in a deliberate manner in the daily rough and tumble of business but ensuring that you have a pulse on how you are building trust as one of the health metrics can be a useful mind-set shift to go through as a player in the start-up ecosystem.

End of nugget transcription

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Tarun Khanna - Nuggets

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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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