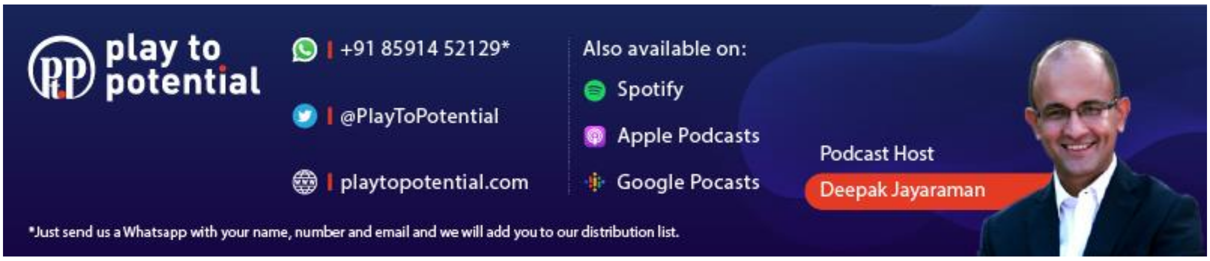


## Context to the nugget

Sanjeev speaks about how he thinks about Professional CEOs and Founder CEOs and speaks about why it is so hard to get the transition right. He also shares his take on what is the one thing he looks for while betting behind founders.

## Transcription

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Deepak Jayaraman (DJ): Just moving along in page 112 you speak about founder CEOs and professional CEOs and what I liked was you say that founder CEOs are better at finding cycles while the professional CEOs are better maximizing cycles. And you also go on to say that it is easier to coach the founding CEO to maximize a cycle than the other way around. Could you share the nuance here? How you have seen this play out and how should companies think about the founder becoming the CEO versus getting somebody from the outside to run the company?

Sanjeev Aggarwal (SA): You know our experience tells us that by and large a founder to CEO transition is a very hard one. And if you have backed a wrong founder and you are now bringing in a CEO to replace him, you might be able to save the company, but you won't end up building a great company. So, our advice is that one should look for founders that can raddle the long haul because generally founder CEO being replaced by professional CEO is bad news. And what we are trying to say is that things like vision, looking into the future, seeing what's coming next, these are very natural skills that are either there or not. So, it is very intrinsic to good founders. While extracting maximum revenue from a product line or working within a framework comes lot more naturally to professional CEOs because when they work in companies somebody sets the framework and they execute within that framework. So, that probably is our perspective that great companies are really built by founders, very hard to get this transition with a professional CEO. You will create as I said a good company, but if you want to build a great company then you want the founder to go all the way. And I guess there are many examples around the world, best example being Amazon, which was led so ably by Jeff Bezos. When he created so many new lines of business which at times look very disparate but he just kept on creating new engines of growth while the existing engines of growth were managed by somebody else. So, that is the model that we like more, the combination of a founder who is visionary and supported by a Chief Operating Officer who kind of maximizes the product cycle. So, I think that combination helps create long lasting value.

DJ: And in terms of discerning that to use a Hindi phrase "*lambi race ka ghoda*" as they say, what are some of the lead indicators you look for Sanjeev to discern that leadership scale-up?

SA: The one that we talked of earlier, which is first principles thinking because the journey of company building is so ambiguous that in pretty much every step of the way you have to find new answers to a problem. So, if you operate from a very fixed framework then you pretty much don't capture the full potential of the opportunity. So, I think this first principle thinking is a very powerful competency that cuts across all aspects of company building.

## Reflections from Deepak Jayaraman

DJ: Thank you for listening. For more, please visit playtopotential.com.

## End of nugget transcription

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### Sanjeev Aggarwal and TN Hari - Nuggets

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- 71.01 Sanjeev Aggarwal and TN Hari - Journey and transitions till date
- 71.02 Sanjeev Aggarwal and TN Hari - Three rhythms of a scale up
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## About Deepak Jayaraman

Deepak seeks to unlock the 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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