MAKE FEWER MISTAKES

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AUTHOR'S CHANNEL

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Editor's Note

My first assumption about Shubham's book, when it reached me as a manuscript, was that it was just another start-up story – of overcoming the toughest hurdles and the most complex problems by the sheer combination of acumen and luck. I had read a few of that kind, and my expectations for this book took me along those lines too.

But the book proved to be different, and how!

Pages and pages of the most straightforward writing, detailing every minute aspect of a journey full of crests and troughs meant that the reading experience was more synonymous to having a conversation with a CEO rather than just knowing about the behind-the-scenes of a start-up via written words.

Shubham's writing style captured my attention immediately – it was direct, lucid, and detailed enough without going overboard. With the right amount of data and technical terms, the book is a treat to both kinds of people – those who are new to business or entrepreneurship and want to learn more, and those who are experienced and want to get to the finer aspects.

With subsequent rounds of editing and refinement, the manuscript underwent fewer changes in content and presentation than even most fiction books I had encountered – and this is testimony to Shubham's skills as a writer.

Make Fewer Mistakes – is just that. A book that will help people make fewer mistakes in their journey as entrepreneurs. It is not here to tell you the rules that you must follow, or act as a guidebook for the dos and don'ts. It is a collection of experiences, related by someone who had gone through many of them – a firsthand perspective – to show what had gone right or wrong in a journey of inspiration and courage.

Without shying away from the details, Shubham recounts the journey that has had as many losses as it had laurels. *Make Fewer Mistakes* is a book that turns reading (it) into a journey, and makes that experience so worthwhile that when it ends, you realise that the book had been a destination itself. Similarly, in entrepreneurship, the journey is worth the effort, and the focus is not on completing it but enjoying it instead. It is not imperative that you arrive. What matters is that you travel, and learn along the way.

By then, you will have a different definition of what it means 'to arrive'.

Actively choosing a path that went against the grain of the computer science engineer that I am, and walking away from the cushy IT space was one of the hardest decisions I thought I had to make in life. But I stood firm, choosing my love of literature over the expected path.

And with my entrepreneurial journey – that happened on a much smaller scale, of course – I had learnt a lot, made my share of mistakes, understood many lessons, and definitely have some scars and stories to share. It was quite easy then, to relate with what Shubham had to say, and I found myself learning and laughing along.

We often come across some books in our life at the right time – they change us alchemically. This is one such book. Read it to know of an inspiring story that holds nothing back, read it because you want to educate yourself better. Read it when you want to *make fewer mistakes*.

Dhivya Balaji
Precis Penning Literary Services

Contents

Falling For Entrepreneurship

CHAPTER 1

A Serendipitous Discovery

"Are you going to pay the fare, or should I dial the police?"

It was the third enquiry from the furious taxi driver who had driven me from MG Market in Gangtok, Sikkim, to the nearby taxi stand. Each time he demanded the fare, I stood numb with shame and heard his pitch rising beyond comfortable decibels.

During the summer of 2012, I was pursuing the second year of my under-graduation at the Indian Institute of Technology in Guwahati, Assam. At the institute, I used to indulge in select activities that brought me close to some highly devoted individuals. One remarkably aspiring, yet grounded person with whom I became friends was Jitesh Advani. He was an outright gentleman, with a mellow voice and a magical pair of eyes that could see right through your face and describe precisely how you were feeling. Being a year senior to me, he considered me a younger brother. On one occasion, he had to grab my collar and drag me back to his dorm room when I picked up a fight with his neighbour for a seemingly scant argument. It was invariably soothing to be around him. He mentored me on several occasions during the club activities, and always made time to listen to my notorious tales.

One afternoon, he rang me and asked, *"I am launching a company that'll change the way budget-travellers explore North-Eastern India. Do you want in?"*

"I like what you're saying. Right on my way to your place." I got excited.

I was fascinated by the thought of starting a company at the age of 20. Although I had no clue about it, I hopped onto the bus. Jitesh named the company *TripEngineers*. In no time, I was designing its website, building the promotional collaterals, and emailing itineraries to interested travellers. It started to seem fun when we received an endless number of bookings from campus-colleagues, group-bookings from the city, and then guided-tour enquiries for batches of hundreds from the neighbouring colleges. We were flying.

A few months later, Jitesh noticed that the number of bookings for one of the magnificent cities in North-Eastern India, Gangtok, was perpetually declining. He wanted to boost the numbers by adding local attractions. Neither of us had visited Gangtok until then. He asked me to take a trip to Gangtok and tie-up with local restaurants to plan and offer stunning discounts to TripEngineer's customers, and partner with local guides for popularising remote attractions that seldom made into a tourist's itinerary.

Thrilled by the idea, I instantly agreed. I couldn't help but label it as my first business trip. The next day, I boarded an overnight train and reached Siliguri, West Bengal – the nearest railway station to Gangtok. I took a shared-taxi for the remainder of the journey and arrived at Gangtok's city-centre. The two-day trip was largely successful as I had managed to tick every item on my agenda, and was ready to depart. It was my final ride in the Himalayan city before heading to Siliguri, from where I would board a train back to Guwahati.

That morning, I found myself in a terrifying situation. "*Are you going to pay the fare, or should I dial the police?*" asked the outraged taxi driver, who had driven me from my hotel to the taxi stand, from where I was supposed to catch my next ride to Siliguri. By that time, I had realised that my wallet was missing. I was left with no cash or debit cards to pay the fare for the ride that I had already taken. Making digital payments using mobile-banking apps was still a long time away in 2012. Besides, I used to carry a feature phone, which was hardly suited for surfing the internet. To make matters worse, the taxi driver was a daily wage earner and didn't have a bank account. While I was short of options, he was running out of patience. His agitation was rising by the minute, and I was clearly in a big mess. As the pressure of time was rapidly increasing, so were the number of onlookers interested in witnessing something exciting in their mundane routines.

I unrolled the watch on my wrist and placed it in the driver's hand, confessing, "*This is the only money-equivalent I can offer. I've lost my wallet and cannot pay you in cash.*" The driver could immediately grasp that the price of the watch was much higher than his fare. For the first time, he calmed down and paused for breath. He gawked at my nervous stance for a moment and replied, "*I believe you,*" and then pointing towards the police station, "*File a complaint. They might help you.*"

Sadly, they were not of much help. I was promised that if the police discovered anything, I would receive a call. Though I could park this incident, there was a long journey ahead of me, back to

Guwahati. Over the next few hours, I managed to convince a shared-cab driver to give me a free ride up to Siliguri, and then a TTE (Travelling Ticket Examiner) to allow me to board a train without a ticket, being a student in need. Upon reaching Guwahati, I could finally board the institute's bus, which shuttled between the city's railway station and the campus.

While nibbling a sandwich after almost 15 hours of travel, I recounted the series of events to Jitesh. He immediately developed a serene smile on his face and said, *"Welcome to the world of entrepreneurship. Shubham, what you showed in those testing times was a natural form of courage. And it proves that you are set out to become an entrepreneur who is capable of displaying immense courage despite being surrounded by adversities, which more often than not, are unlikely to guarantee success. Never lose this courage."*

Though unable to comprehend his words, I kept them close to me.

Connecting the dots today, I can confidently say that courage was the primary attribute that I found in all fellow entrepreneurs and leaders who worked towards building businesses – big and small alike. Great leaders take risks with their reputations to move ahead with huge, seemingly impossible goals. I have come to understand that courage isn't merely the absence of fear. It's the state of being scared, acknowledging your fear, and pushing ahead towards the goal anyway, believing that you'll gain the necessary capabilities along the way.

During all the interviews that I conducted to put this book together, I found an unwavering willingness in those entrepreneurs to go through the discomfort of courage repeatedly. By their actions, they normalised the act of courage in their respective organisations.

A shared sense of commitment and courage gave their teams solidarity with one another. As humans, it is not possible to perpetually stay confident. Yet, entrepreneurs have repeatedly shown their preparedness to take risks and move forward despite mounting uncertainties. And in the course, they have made it easier for their teams to follow suit.

To be a great leader, one needs to be comfortable with being uncomfortable.

CHAPTER 2

Shaped by Risks

In the winter of 2013, six months before graduating from college, the otherwise uproarious college environment was unsettled. My mates residing next doors were glued to their laptop screens for long hours, but not for binge-watching *Friends* or *Game of Thrones*. Who would usually greet me with creative handshakes that we had invented did not bother to turn their heads while I entered their rooms. Well, it was the grand campus placement season, where international giants such as Facebook, Google, and Xerox, and innovative Indian start-ups such as Flipkart, MindTree, and Hike lined up to shower recruitment offers valuing up to hundred-thousand-dollars. Naturally, everyone around me was engrossed in cracking case studies, slogging harder than what was the usual pre-examination spectacle.

I decided to opt-out of the campus recruitment. It was quite an uncommon decision amidst students studying at one of the top colleges in the country and having an assurance of a kick-ass remuneration package. It wasn't easy to abandon the promise of a handsome paycheque because everyone around was measured by it. I was leaving behind the safety net. Though many eyebrows were raised, I had already charted out where I would invest the next few years of my life. So, at the time when companies were visiting the campus in flocks to recruit from the talent pool, I was already six months into building a start-up that went on to add a crazy client list under its belt.

Much before this day, TripEngineers had folded with Jitesh's graduation. In a parallel universe within the college, a design consulting start-up, *Perdix*, was founded by people with whom I had spent most of my graduation years. The founders identified a unique opportunity to specialise in designing emojis and stickers for an instant messaging aggregator, Nimbuzz, which then carried a massive global user base, upwards of 250 Million.

My contribution to the start-up began while we were eyeing a deal with Flipkart, India's largest e-commerce company. To deliver a presentation highlighting our design strengths, I, along with one of the co-founders, Dushyant Palriwal, decided to fly to Bangalore, Karnataka, a week before the commencement of semester examinations, and visit the team operating out of their head office situated in Koramangala. On the day of the meeting, I proudly wore a suit that I had got stitched especially for that day. Despite leaving their senior managers in shock by suiting up on a hot summer day, we painted a rosy picture, exactly the way they expected. It is worthy to note that we, a bunch of college-goers, attempted to convince a company valued at $1.6 Billion at that time with our inflated design capabilities, without having a single employee on payroll, much less an office. And we bagged the contract.

While riding on cloud nine after the meeting, we halted at Costa Coffee, a few buildings away from Flipkart's head office, to digest the feat we had achieved. While calming the butterflies in our stomachs, we noticed Sachin Bansal and Binny Bansal, the star co-founders of Flipkart, sipping coffee a couple of tables away. It was a fan-boy moment for young entrepreneurs like us, who were inspired by their enormous success. I mustered up some courage, walked down to their table, and asked if they would be comfortable chatting with us for a few minutes. Surprisingly, they agreed.

A few minutes into the conversation, I asked, *"Do you think it is ethically wrong for founders of a consulting company to exaggerate their strengths to win a contract?"*

Sachin exclaimed, *"It is only unethical if you cannot deliver the promised work!"*

Binny picked up from there and elaborated, *"In the long run, what defines your character is your passion and honesty towards the work that you've picked. If I were in your position, I might have done the same and then ensured that we delivered results beyond what we promised."*

That conversation transformed the way I looked at success. We were quite far away from it and had promises to honour before celebrating. Over the next few months, we delivered spectacular results, making Flipkart the highest-grossing client for Perdix.

At Perdix, I led a wide variety of projects, including designing education material for marketplace sellers for launching their products on Flipkart and Jabong, creating proprietary India-specific stickers for social media platforms such as Facebook, Skype, WeChat, Line and Viber, developing algorithmic-trading dashboards for a US-based trading company, and building India's primary online-healthcare platform in association with a health-tech conglomerate. After graduating in 2014, we moved to Bangalore and took up a shared-working space, where we used to create what the clients loved. I headed the user experience department while building and supervising a team of design enthusiasts.

Eighteen months into the business, I found myself in a peculiar situation. For the first time, I reasoned what I was doing at work compared to what I really wanted to do. I felt I was dispensable; anyone could easily replace me in my role. It was a startling moment in my young career. Upon deliberating, I asked myself a question that changed the way I approached my role – '*If I decide to move on today, can I confidently say that I maxed out all the possible learnings that I could extract while working at this design consultancy? If not, are there any learnings that I can gather by taking up a more substantial role in the company?*'

And things changed for the better. I reached out to the founding team and presented my idea to sell the importance of design to clients, directly by a designer – myself. Over the next three quarters, along with Manish Sugandhi, the co-founder and the head of Business Development, I managed to increase the client list three-fold, and eventually ended that financial year with five times higher revenue than the previous one. It was exhilarating. During this time, I dealt with CXOs at high growth businesses, interacted with leadership teams from the UK, the US, and the Middle-East, and made a lasting impact by transforming them as our clients. My confidence grew manifold, and so did my learnings beyond the scopes of designing. At 23, I found myself influential in driving design-thinking as a crucial parameter of decision-making in various organizations.

Reflecting on that now, no one described to me how an entrepreneurial journey would look. I had no experience of cracking deals or guiding client-organizations towards making customer-centric decisions. I learned this on the job. In the first year out of college, I could display results that I was proud of. Soon, I realised that an essential element of running a business was taking calculated risks. There are no right ways of doing things. What matters the most is attempting your best shot.

During my conversations with entrepreneurs, I noticed a pattern of illusionary confidence binding them. This confidence was synonymous with the risk-taking hunger. While inaction is often safer than action, most successful founders told me that they got to their current positions because they were willing to take risks that no one else was. Whether it was developing a product that nobody else thought would work, or investing their time and money into something which most others thought was crazy. Some risks offer a promise of higher rewards, while others offer a smaller potential consequence. At times, risks could make or break a business. But there was one common aspect that all risk-takers associated with — their present was shaped by the risks they had afforded. While most people are unwilling to take risks, the world's risk-takers naturally stand out.

"*If you aren't prepared to take risks, you have no business being an entrepreneur.*"

– Larry Alton, a former entrepreneur and a writer.

CHAPTER 3

Leap of Faith

After successfully scaling Perdix for a little over two and a half years, I encountered a pivotal realisation. I questioned – '*How large could a services business grow? At what scale do I see myself running a company ten years from now?*'

Upon investigating, a critical example surfaced – in an exit deal of a major services business, Clarice Technologies, founded in 2008, was acquired by Globant, an IT and software development company. Clarice had operated for 7 years before getting sold at just INR 120 Crores. Having invested that much time into the business, was it a great exit? *Maybe yes*, but the fanatical side of me aspired for much higher. I yearned to lead a company that carried a scalability potential of over INR 1000 Crores. Besides, there was so much competition in the services industry that getting recognition for a design start-up was difficult.

Miracles don't satiate your dreams, practicality does.

I developed a strong opinion about the services businesses not scaling infinitely and facing a growth-limit, unlike other examples around me, where product or consumer businesses shot up in a much lesser timeframe. Thus, the thought of switching to a product company rooted in my mind. It would mean that I had to exit from Perdix by selling my shareholding to the other partners. I discussed my plans with Manish and learned that he echoed similar thoughts of building a consumer-facing company, which would provide abundant opportunities to scale. In the next few days, we listed our fantasy business ideas and mulled over those, one after the other, before we encountered a hurdle.

We did not have real knowledge about it.

As an entrepreneur, you may have tens of ideas that seem worthy of execution and paint a mental picture of a grand success. Those ideas may lift you six feet above the ground with their initial high. As necessary it is for a founder to ride this wave, it is as essential to validate it. Though we hear many successful start-up launch stories, we hardly learn what goes on behind it. Besides applying the general advice on testing your beta product with early adopters, or choosing a business with huge market size, or building defensibility, both in my journey and while speaking with several other founders, I narrowed down on some principles that are rarely presented to first-time founders for laying a solid foundation.

Discuss. Discuss. Discuss.

Exploring the first idea, I imagined a network of power-bank kiosks stationed at various public places to address the challenge of smartphone battery drains. I compared it to a network of ATMs in a city, replacing money with fully-charged portable power-banks, where one could exchange a drained power-bank for a charged one. Since it was a novel idea, Manish and I needed endorsers. We classified the ecosystem in three parts – commuters (the demand), power-bank manufacturers (the supply), and kiosk stations (the points of a transaction).

We went on to speak with the owners of numerous restaurants, bars, coffee shops, and commercial tech-parks to gauge their interest in becoming an exchange-station. During our conversations, we learned how only a small number of their customers would request charging adapters at receptions. A restaurant's staff members would offer their adapters to the customers on such occasions – not a big deal. Had there been no such interactions, we would have never figured out that such occasional requests from the customers usually surfaced late in the evenings or surged on the weekends.

We met power-bank manufacturers and exporters in Bangalore to understand the manufacturing process and establish a new power-bank brand. We were offered absolute flexibility to customize shapes, designs, and battery-sizes. They allowed us to spend time with their engineers to understand the mechanics behind increasing the number of charging cycles and the speed of dispensing charge in power-banks. Without these discussions, we would have never learned about the complexities of building kiosks capable of charging tens of power-banks simultaneously.

Meanwhile, both of us called up at least 25 of our friends to understand their everyday commuting patterns throughout a typical week. We selected peers who resided close to their offices – less than 2 kilometres away, and the ones who travelled more than 15 kilometres daily. We surveyed friends who used their vehicles and those who used public transport. We questioned how often they would run out of charge on their smartphones and what were the generally available hacks.

Many first-time entrepreneurs shy from sharing the lengths and breadths of their idea with peers or other founders, fearing that they might steal the idea. My response to that is – ideas are like farts, and I fart ten times a day. Ideas alone are not the arsenal that would aid you as you march into a battle. Instead, execution and consistent strategizing are. The ones who fear sharing their ideas seem insecure about their capabilities as founders. In our research, we managed to get time with nearly twelve CXOs to detail our idea and execution plan to learn from their experiences of going after consumer markets. Eventually, after a month, the surveys depicted that the need was weak and that such a service would only make sense for a limited audience, such as a sales force that travelled extensively. The general commute patterns of the regular office-goers presented them with enough opportunities to recharge their smartphone batteries. Fortunately, thanks to our research, we could save the trouble of mistaking the need and wasting money on it.

Consider Market Timing

Bill Gross, the founder of Idealab, a business incubator in the US, dived into the possible reasons for failures or successes of all 100 Idealab companies and another 100 non-Idealab companies. His research showed that the number one reason leading to the results we see today was timing.

He explained, *"At first, Airbnb was famously passed on by many smart investors because they thought no one would rent out a space in their home to a stranger. Of course, people proved it wrong. But one of the reasons it succeeded, aside from a good business model, a good idea, and a great execution, is the timing."* He continued to describe Airbnb coming out right during the height of the recession in 2008, when people needed some extra income, and it may have helped people overcome their objection in renting out their homes to strangers.

In a contrary example, Bill said, *"We started a company called Z.com. It was an online entertainment company. We were so excited* *about it – we raised enough money, we had a great business model, we even signed incredibly great Hollywood talent to join the company. But broadband penetration was too low in 1999 – 2000 in the US. It was too hard to watch video content online; you had to put codecs in your browser and do all this stuff, and the company eventually went out of business in 2003. It was a great idea, but unbelievably bad timing. In fact, when launched in 2005, YouTube didn't even have a business model at first. It wasn't even certain that it would work out. But it was beautifully, beautifully timed."*

Though it may seem obvious to assess market timing while venturing out, it is quite difficult to separate oneself from the love for the idea. The initial excitement of imagining a better world with one's product or services often clouds radical thinking, which is important to assess the infrastructure or behavioural patterns of the target customer segments. Jumping to conclusions by carrying biases towards certain market conditions does not help. You must be brutally honest to yourself while making judgments. And that is what separates grounded founders from the high-flying ones.

Are you betting upon a behavioural change?

In 2015, two childhood friends – Shashwat Gopal and Shikar Khanna – who graduated from the Indian Institute of Technology (Bombay and Delhi respectively), quit their high-paying jobs at Schlumberger to found a company called *Blinge*. They sought inspiration from Airbnb and believed in the concept of sharing economy. They spotted how dearly women's ethnic and party-wear dresses cost, and despite this, those were hardly worn on more than one or two occasions before wasting away in dust for eternity.

Shashwat explained, "*It was a sheer wastage of resources, especially in a country like India, which is densely populated by over 130 crore nationals and yet possesses limited resources. If we continue this way, then* *we'll not have enough for all of us. Renting such clothing-wear made economic sense and obviously qualified as a sustainable choice."*

They did everything right. From telling a compelling story to investors to showcasing strong early adoption numbers; even identifying the target customer segment and reaching out to them via concentrated mediums. They also correctly marketed the 'aspirations' of the customers to wear designer clothes rather than just the lifeless products. Yet, they shut their operations in a year.

What went wrong? Shashwat sighed, *"We were betting upon a drastic behavioural change in how Indian women looked upon fashion clothing. Indians love the feeling of possessions, and we were asking them to drop their attachments towards something as personal as clothes and rent instead. We were betting upon them to change their habits that were formed over many decades."*

Bringing about a behavioural change in the consumption patterns of mass audiences requires two crucial ingredients — a huge capital and a habit-forming repeatability. For instance, the cab-sharing giant, Ola, changed the commuting behaviour for its target audience and people beyond, almost permanently. Ola raised huge investments amounting to $3.8 Billion and witnesses repeated rides from its loyal customer base. Economic Times published a report in 2019 that revealed 24 Million customers hail rides from Ola every month. That's some serious repeatability, month after month.

The scary part about it is that there's only one Ola in India. One must not adopt it as a role-model, and it is exactly what Blinge's founders wanted to change. During the conversation, Shashwat explained that their estimations to turn the practice of renting fashion-wear into a habit by repeat transactions failed miserably. *"We witnessed hardly one or two orders per customer in an entire year,"* he remembered. *"We were nowhere close to changing behaviour with the kind of money we had raised."*

The challenge of behavioural change doesn't uniquely apply only on the demand side. Ola and Airbnb have demonstrated how the monthly earnings of their respective suppliers, cab-drivers and property-hosts, have turned those suppliers loyal to the platforms. This is referred to as 'building surplus for the ecosystem', where supply and demand sides naturally become the collateral beneficiaries with the success of the business.

Do not ignore the regulatory framework

During the hunt for our next idea, we questioned – '*If you could order food, groceries, cabs, electronics, furniture – almost anything – on-demand just by tapping on a mobile screen, why hasn't anyone thought of delivering liquor to homes?*'

Baffled by this unattended gap, we visited large and small liquor retailers in the city to decode possible reasons. And what we learned was dismal. Many individuals had made such enquiries in the past. However, they had failed to find a work-around to the regulatory restrictions, sort of a grey area until 2020, imposed by the government of India on the delivery of liquor. The primary reason was to keep it away from minors. We devised various methods to ensure delivering only in the hands of adults who held government-issued identity cards and wrote to certain government officials to seek permission. We highlighted how we could use technology to ascertain the ages of the customers and produce records when the government demanded scrutiny, maintaining a hundred percent secure and private network system.

Unfortunately, we didn't find any ear that would consider our requests. We eventually moved on, jokingly making a pact between us that the day liquor delivery gets permitted, we'll jump into it.

While it is possible to figure out the restrictions imposed by the Central or State Governments before venturing out, it becomes incredibly disheartening and financially burdening when frameworks are laid down after a company is set up. A recent example is the cryptocurrency industry, which was brutally punished by the absence of a robust regulatory framework allowing trades and exchanges of such currencies during the years 2017 to 2019 in India. More than 15 companies were compelled to shut shops, and a few of them even faced litigations.

At the end of the day, these principles might help in directing your boat towards the shore. But you still have to row it until then. Having a thorough knowledge about the factors that affect your business ecosystem early on in your journey helps in making informed decisions, preventing you from ending up dismayed. One common attribute that I noticed across founders is their never-ending hunger to predict the future of the business, and at the same time, assuming the role of eliminating uncertainties from their path to the desired future.

Any idea or business strategy or expansion will always be a function of risks. Yet, successful founders consistently exhibit a yearning to reduce the number of risks that could produce unwanted outcomes.

Leap of Faith

When I shifted to Bangalore in the summer of 2014, Manish and I rented an apartment. I was thrilled to move into my first apartment and gregariously wanted to make it a party-spot for close friends.

Since it was an unfurnished one, we had to add furniture, electronics, and other accessories to make it liveable. Though I did not have much idea about purchasing such goods, I was looking forward to this new experience. I made a mental list of all the products that I'd love to see in the house, perfected to their exact locations. Well, who'd have known that all my jazzy ideas would soon be a passé?

Within a few minutes of browsing those products, it struck me that arriving in a new city with zero savings, as lads in our early twenties, we were far from affording brand-new goods. They were crazy expensive for someone like us. We had already borrowed money to pay a hefty deposit for the rental apartment, and such purchases would have proven to be a financial suicide.

Thus, we resorted to surfing used-goods platforms to match our pockets. I remember those websites connected buyers and sellers online. As a buyer, you were expected to visit the seller's location, evaluate the product, and carry it back yourself. We met about 10 sellers across Bangalore to find the best fits. It was fun when we went shopping, house to house, but only until it was time to transport those products back home. We booked a TATA Ace (*Chota Hathi*, as it is called in the northern region of India where I come from) to ship these products, a process taking another few days of shuttling between the pickup locations and our apartment.

The actual misery began after a month when we realised that the used-beds we had purchased were infested with bed-bugs. We tried approaching the seller to complain, but the lady laughingly washed-off her hands. The website which facilitated the transaction had laid out its terms that the buyer was responsible for inspecting the items. Eventually, we resolved to trash those beds before they could become a further menace. Frugal that I was, I felt cheated, and ultimately went back to those pricey websites to buy a brand-new bed and mattress set.

Over the next year, we heard our peers complaining about similar unsatisfactory experiences with used-products. I remember them yelling in anguish that if they were rich enough, they'd have bought brand-new products in the first place. In all these cases, loss of money and inferior product experience emerged as common factors.

Two months later, while sipping coffee at a friend's place and listening to yet another horrible experience, I got hooked to solving this challenge. I wondered – '*Could there be a way to offer customers total satisfaction by balancing the price-quality equilibrium? Could there be a reduction in the hassles involved in selecting the right goods? Are there enough people who resort to used-goods in their lives for various reasons?*'

And finally, we picked up these questions and started to research.

We observed a paradigm shift taking place in the consumption behaviour of the millennials (born between 1981-1996, according to Reuters). They weren't buying CDs to listen to music anymore – they were subscribing to music streaming services. Similarly, they weren't buying cars at the same rate – they were delaying their buying decisions thanks to the on-demand cab-hailing services. Movie streaming subscription plans were being piloted and could push the traditional DVD industry far behind. I hypothesized that it was only a matter of time before millennials would adopt household goods on subscriptions as they hopped jobs and houses every two years.

We dug into Socio-Economic Classification (SEC) reports, India Census Report 2001 and 2011, and browsed through public and government websites to ascertain the potential addressable market. We learned that there were nearly 15 Million rented households in the top 20 most-populated urban cities in India. If we considered renting products to the households belonging to the top-tier classification, SEC - A, B, and C, for one cycle of the general 11-months rental tenure, we would be eyeing a handsome $2.5 Billion addressable market size annually. With an estimated 5.5% growth in the migratory influx in the major urban cities in India and an increase in the consumption patterns of households, in the next 5 years, we could witness the annual industry size inflating to $10.2 Billion. This was enough to back the thesis.

In about a month, in August 2015, we rode upon our conviction that this was a massive opportunity to address, for all those people who migrated to metropolitan cities for better opportunities in education, jobs, and marriages. We believed that we had spotted the right nerve and thus, took swift advantage of our peer circle to validate the thesis. We concluded that there must exist a platform that enabled people to use products with the utmost flexibility and that provided top-quality products delivered to their doorsteps through an innovative payment method: pay-per-use. Aggregating these thoughts, we could envision offering household products such as furniture, large electronics, and fitness equipment on subscriptions.

I never got all the required answers before launching the start-up. As an aspiring entrepreneur, one needs to take a giant leap of faith, driven by courage and calculated risks, to start what one believes in. For instance, we did not know what to name the business, so we bought four web domains. At first, we were unaware of where and how to register a company in Bangalore under the MCA (Ministry of Corporate Affairs), so we called up Manish's dad and registered the company in Hyderabad, his hometown. We had never run social media ads in the past, and during the time when we familiarised ourselves, we relied on traditional pamphlet distribution to market our offerings. We had never written a line of code before, so we picked up a template from Shopify for a humble beginning.

If all the questions were answered on day one, where would the risk be?

> "*A doer alone learneth*,"
>
> – philosopher Friedrich Nietzsche.

CHAPTER 4

Winning Strategy

In 2014, Simon Sinek, a British-born American author and a motivational speaker, opened his Ted Talk with an intriguing story, captivating me.

"There's a man by the name of Captain William Swenson, who was awarded the Congressional Medal of Honor for his actions on September 8, 2009.

On that day, a column of American and Afghan troops was making their way through a part of Afghanistan to help protect a group of Afghan government officials who would be meeting with some local village elders. The column came under ambush and was surrounded on three sides. And amongst many other things, Captain Swenson was recognised for running into a live fire to rescue the wounded and pull out the dead. One of the people that he rescued was a sergeant, and he along with one of his comrades, was making his way to a med-evac helicopter.

What was remarkable about this day is that by sheer coincidence, one of the med-evac medics happened to have a GoPro camera on his helmet and captured the whole scene. It showed Captain Swenson and his comrade *bringing this soldier who was wounded with a gunshot to his neck. They put him in the helicopter, and then you see Captain Swenson bend over and give him a kiss before turning around to rescue more.* "

Simon questioned, "*Where do people like that come from? What is that deep emotion, and when would you want to do that?*"

He goes on to decode the single consistent response he received while asking people, whom we would refer to as heroes, about their underlying motivations resulting in actions of putting their lives at risk to save others.

"Why would you do it?"

And they all said the same thing: *"Because they would have done it for me, too."*

Natural emotions of unwavering trust and selfless love flow in an environment where leaders make their teams feel safe. Trust and love are emotions and one cannot be instructed to exhibit them blindly. That's not how they work. They're feelings.

For instance, the outside-environment for a company is filled with variables that are hardly in anyone's control: competitors threatening its survival, market volatilities fluctuating its profits, or uncertain events reducing its opportunities for success. Such variables will always remain constant forces and are unlikely to go away. Whereas in the inside-environment, the only variable that matters is the tone set by the leaders. Because when leaders choose to put the safety and lives of the people inside the organization first and sacrifice their comforts, remarkable things happen. Trust and cooperation are the results of people feeling safe and protected. It inspires people to offer their blood and sweat to see their leaders' vision coming to life. They scale depths of uncertainties and not worry about getting screwed for their honest mistakes.

Take cricket as an example; a sport in which the external variables range from delivering performance to satiating the expectations of a billion fans and defending on-field decisions to the brutally punishing media. Sourav Ganguly, who captained the Indian Cricket Team from the year 2000 to 2006, firmly believed in creating an environment that took away all his players' insecurities.

Ganguly said, *"As a captain, it was my responsibility to create the right environment for the players so that their minds were away from all other aspects, and they were able to focus on the job — batting or bowling. Whenever I picked a young guy into the squad, I took the fear of failure away. I used to tell the guy that he had four to five games, and his place in the team would not be decided overnight. But you ought to deliver a performance in those innings. It was simple. A player should not have worried about what the captain or selectors were thinking. He shouldn't have fretted about getting a ripper of a delivery upfront from Glenn Mcgrath the next morning and consequently being dropped from the national side. With such actions, the unique result is trust between the players and the captain."*

Founders must build a safe environment within an organization right from the early stages of their businesses while assembling a team that believes in the vision. And provide the team with a culture in which they are prepared to compromise on other things but not the primary goals laid out, even if those goals are loosely stitched. It is your job as a founder to inculcate the feeling of belonging among your people because they will be steering the ship even when you are not entirely clear about its direction.

Elizabeth Holmes, the infamous 19-year-old founder and CEO of *Theranos*, a healthcare technology company in the US, is said to possess an extra-ordinary charisma to convince people about her dreams. She displayed attributes beyond her age when she spoke passionately about her business idea. Her big blue eyes would captivate the listeners, making them feel like the centre of the world. She pitched her business idea to Shaunak Roy – with whom she worked at the Stanford bio-lab and eventually co-founded Theranos – and to the early employees, who couldn't just say 'no' to her bubbly energy. Her deep baritone would have a mesmerizing effect on her investors and clients, who bought into her vision to change the way people tested complex compounds in blood. She managed to attract some of the biggest names in the US venture capital industry and, later on, her mentor board, taking the company's valuation to $10B during its peak in 2013.

One would expect such an ambitious woman to have done everything right from the beginning. Well, it was quite the opposite. In the early years of the team formation, she fired more people than she had herself hired. The people who worked at Theranos later described that the firing occurred at her whim, without any notice periods, or hardly any severance packages. On one occasion, she fired the company's CFO, Henry Mosley, when he confronted her after finding that certain blood-testing results from their proprietary medical devices showed incorrect results. On another occasion, she surprised an entire team of engineers and medical researchers, called them futile, and asked them to leave the company right at that moment. Later, it came to light that she had secretly recruited researchers to work upon some new technology, in parallel, rendering the earlier team useless.

What do you think would be the morale of the other team members witnessing sudden exits of senior management and researchers without warning? Do you think they'd sacrifice their sweat and tears for a leader who authoritatively fired people who didn't comply with her wishes?

In company environments where trust and love are absent, people stick for all the wrong reasons. It could be because one has a personal connection with the founder despite hating the work, or because one enjoys the biased remuneration compared to peers in a similar industry, or maybe one fears losing the job. Should a founder allow people with such motivations to continue working for the organization? The culture of such a business place is bound to collapse soon. Forget innovation; the fear of their leaders would drive such workplaces. And it's toxic for the business, which won't survive such strains in the long-term.

And it was proven at Theranos when the enforced secrecy and mindless-domination by its founder led to its star members quitting voluntarily. The co-founder, Shaunak, the Head of Chemistry, Gary Frenzel, and several others separated themselves from the venture over a few months, citing oppressive work-culture brewing in the organization.

In a recent conversation I had with Mayank Bidawatka, a former foundation team member at RedBus and who used to head its product & marketing divisions, and current co-founder at Vokal, he described one leadership practice from his own experiences, which made all the difference in his entrepreneurial journey. He asserted, *"As a founder, you must assemble a group of three to five people who you think are with you for the risk and the reward alike. It's a tight, reliable circle of people forming the management team who are ready to brainstorm even at 2:00 AM, and will stick by you to realise the vision, no matter how testing the times are."*

He was referring to building an army of warriors who would place unwavering faith in their leader and vice versa. He was describing people with whom a founder could discuss his peace-time and war-time strategies productively. He was talking about building a second-in-line leadership team that the junior staff would look up to. At GrabOnRent, we were lucky to spot such people early on in our recruitment cycles. They stayed with us for many years and displayed consistency in their never-say-die attitude towards realising the company's vision; they were equal stakeholders. They stood by the founding team through times marked by acute financial distress and through the moments of building and nurturing a 150-member team across four offices.

I recollect an excerpt from a personal chat with one of the most ardent colleagues of mine after a management committee meeting one day.

Me: "*I heard that you were offered a new job role with double the annual salary-package and a senior rank. What did you do with it?*"

Him: "*I turned it down, obviously!*"

Me: "*Why is that obvious?*"

Him: "*Because I know you'd have done the same.*"

CHAPTER 5

Recipe for Disaster

I recently agreed to meet with an entrepreneur who has been running a mobile gaming start-up for about two years. He wanted to discuss a challenge that he was facing in his business. During the conversation, he appeared quite passionate about his product and drove me through his journey. He explained how he had bagged seed funding from his father's friends and how he aimed to monetise the product. He also demonstrated his product, highlighting various customer engagement features and the mathematics behind the leader-board scores. He then shared the challenge.

Him (expressing his anger): "*Despite approaching more than 25 investors in the last three months, I have not received a single term sheet. I don't know why they fail to understand that it is a great investment opportunity in a top-notch company such as mine.*"

Me (curious to know more): "*What were the general responses of the VCs who turned it down?*"

Him: "*They stated that many companies already populate the gaming sector. They do not see any other player making an impression in the sector anymore. They asked me to get some traction and come back later.*"

Me: "*How many users play on your platform, say on a daily and a monthly basis?*"

Him (restlessly stating his plans): "*That doesn't matter. Though I don't have money today, I have solid plans to scale the user base as soon as I get the funding. I have figured the secret-glue, which will make users spend more time and play using real money on the app.*"

Me: "*See, it is fair on a VC's part to assess the product's traction before making a decision. Help me understand the user feedback on the product. What makes them come back to it? Can you build a case for a high app-retention or identify the background of the monthly active users who are loyal to your product?*"

Him (with apparent resentment): "*My product is the best in the market. None of the other companies has brought in as many features as I have built for my app. I'm lightyears ahead. I have a stellar team of coders who are quick as hell. I designed the app myself without any prior knowledge of design. I have done a great job at both building the app and getting the users to play on it. Yet, the other companies with poor apps get funded and not me.*"

Until this time, I tried to find solutions to a potentially nice story to stitch and build a defensible case for attracting investment for his product. However, a pattern surfaced. His poor skills at convincing investors to write a cheque wasn't the most annoying attribute. Instead, it was his firm conviction of having cracked everything for his company's success. Without caring to understand user behaviour, he was satisfied with his upcoming plans to monetise the said users. Though he ignored the value of comprehending investors' logic behind getting traction, he was delusional about his ideas that would undoubtedly work upon getting funded. He was clueless about what he was missing.

If you've ever dealt with someone who is not only clueless about the awful performance but also confident that it is superb, you likely saw the *Dunning-Kruger Effect* in action. Theorised in 1999 by the then-Cornell psychologists David Dunning and Justin Kruger, the Dunning-Kruger Effect is a type of cognitive bias in which people believe that they are smarter and more capable than they actually are. The findings from the research revealed that people with low abilities do not possess the necessary skills to recognise their incompetence. And in most cases, they are likely to feel confident that they are competent.

Forbes later published a few of those studies conducted by the duo, who had studied many subjects to quantify cognitive biases deeply rooted among professionals and amateurs alike. In one of the studies, Cornell undergraduates were given a 20-item grammar test. After completing the test, the students were asked to estimate their ability to identify grammatically correct standard English compared to other participants. The results? The lowest-scoring students grossly overestimated their abilities. Those who scored at the 10^{th} percentile (meaning that they scored better than only 10% of other participants) rated their grammar abilities at the 67^{th} percentile. In essence, their actual grammar ability was inferior, but they thought they were in the top third of all participants.

And it's not just college students; examples of the Dunning-Kruger Effect were found everywhere. One study of high-tech firms discovered that nearly 42% of software engineers rated their skills as belonging to the top 5% of their companies. A US-based nationwide survey found that 21% of Americans believed that it's 'very likely' or 'fairly likely' that they would become millionaires within the next 10 years – a tall feat. In another study of faculty at the University of Nebraska, 68% rated themselves in the top 25% based on their teaching ability, and more than 90% rated themselves above average – which is mathematically impossible.

The entrepreneur mentioned earlier simply needed improvement. If he could recognise his deficiencies, he would be able to fix them and not ignore the critical cues from potential investors and peers. He wouldn't fight constructive criticism. And he wouldn't be frustrating to deal with. Professor Dunning explained that people underperform because they just do not know what they lack and how they could perform better. And if once told, most people display the awareness and willingness to criticise their previous poor skills, and therefore, could witness the difference between their previous, inferior performance and their current, improved performance.

For entrepreneurs who sit at the top of their organizations, it is necessary to identify their shortcomings and stay open to learning. The first step towards recognising one's imperfection is to understand the fact that it is normal. No one is born a CEO; everyone is made so. There is no superclass of entrepreneurs who have it all figured out before they begin. Everybody, at some point, becomes a CEO for the first time. Another recipe for disaster is to get overwhelmed by the mounting responsibilities and worry about not knowing all the answers. A big part of the job as a start-up founder is to keep your learning and growth curve ahead of the company's growth curve. Situations would demand you to make decisions in areas in which you have no prior experience. And this is why most successful founders invest in constantly reinventing their skills and knowledge, and learning from their peer circles to aggregate what they lack today.

In an interview, Drew Houston, the CEO of Dropbox, shared his vulnerability of not knowing everything.

He said, *"I do not know everything that is required to do my job. A lot of what I claim to have experience with today, I certainly did not have any idea about it 10 years ago. So, it's important how do you train yourself. Because no one does that training for you. And the training happens only on the job.*

One question that I like to ask myself is — a year from now, two years from now, and five years from now, what would the 'future me' wish that I learned today? Usually, the answers vary at different timescales. I remember that 11 years ago, we had just raised a seed round and were staring at a prototype. Asking the question then helped me recognise that a year later, we'd need users for the final product, so I need to figure out how to get users. But on a five-year scale, I wished to learn how to become a good executive, how to become a good leader, and how to become an excellent public speaker."

You don't master the art of playing the guitar in two days, but you can improve a lot over two years.

Successful entrepreneurs are curious and humble

A CEO's role is a perpetual learning process, and through it all, there are palm-to-forehead surprises. Successful entrepreneurs also develop acumen over time. They stay curious and learn from their peers or from reading books, and analyse the stories of winning strategies and failing experiences of other entrepreneurs. Most of the founders I spoke with mentioned that the fear pushes them to work harder, pay more attention to what they were doing, and educate themselves to be better versions of themselves while building their respective businesses. They overcame their fear of lacking relevant knowledge through learning and seeking information, whether it was about mastering coding skills or acquiring financial literacy. Most of them believed in researching, reflecting, and networking with fellow entrepreneurs and mentors.

Constant learning is a powerful antidote to the Dunning-Kruger Effect, as it helps mitigate doubts and increase capabilities. But uncertainty is real and eternal. Uncertainty and ambiguity are defining features of the challenges in entrepreneurship. There are always unknowns out there, and therefore, understanding that one will never have all the information – and will always have to keep learning – is essential. Budding entrepreneurs frequently benefit from local communities and networks that provide formal or informal access to mentoring from those with more experience. Through this process, they learn that uncertainties and worries are commonplace, as well as develop a finer perspective to assess which issues deserve attention and which ones will fix themselves over time.

Humble founders are driven by missions that are greater than their self-interest. They tend to be indifferent to material attractions and have a broad perspective of service to the ecosystem that can inspire others. It is often believed that leadership requires a strong personal desire for influence. But that overlooks the flip side – leadership also depends on whether the workforce accepts their leader's influence. Humble founders understand that they are not the smartest person in every room, nor do they need to be. They encourage people to speak up, respect differences of opinion, and champion the best ideas regardless of their origins – from their minds or from that of a delivery executive. When CEOs work to harness inputs from their teams, it carries through the organization. As other executives and managers emulate the leader's approach, a culture of 'getting the best from every individual' takes root.

There is an old statement – *'The first to apologise is the bravest. The first to forgive is the strongest. The first to forget is the happiest.'*

It takes bravery to apologise for your mistakes. It can become even more difficult when you have to stand in front of people who have entrusted you with their well-being and future. Whenever things have gone wrong, humble CEOs have admitted their mistakes and assumed responsibility for their actions. But often, when things have gone right, they have directed the spotlight on others.

Jim Collins, a bestselling author of *Good to Great*, a seminal corporate self-help and leadership book, described 'Level 5 leadership' that emerged from examining the performances of 1,435 public US-based companies that appeared on the Fortune 500. Only eleven of those companies made it into his research group’s rigorous, critical study, which included beating the average market returns by at least three times over 40 years of their operations during the latter half of the twentieth century, and transforming from good to great. Each of those eleven companies possessed Level 5 leadership in key positions, including the CEO, at the pivotal time of transition.

He said, "*We looked at a factor that we called the 'Window and the Mirror'; Level 5 executives tended to look in the mirror and blamed themselves for mistakes. But when things were good, they would look out the window and either proclaim how wonderful everyone was or how factors of fortune caused success.*

Despite their remarkable results, almost no one ever remarked about themselves. The good-to-great leaders never wanted to become larger-than-life heroes. They never aspired to be put on a pedestal or become unreachable icons. They were seemingly ordinary people, quietly producing extraordinary results. It is vital to grasp that Level 5 leadership is as much about ferocious resolve, an almost stoic determination to do whatever needs to be done to make the company great, as it is about humility and modesty."

People are drawn to authentic leaders who can ask for forgiveness when wrong. This is a paradox of leadership. Young CEOs often think that they might lose leadership credibility by admitting failures. Well, it is quite the opposite. People want to follow leaders who are more human.

Building A Stellar Team

CHAPTER 6

Working with Friends

Every time I asked a CEO whether she worked with old friends in her company, I received an affirmative response. How she answered, with a smirk or a smile, later uncovered the hidden layer of how it turned out.

My journey was no different. While founding GrabOnRent, I partnered with three of my closest friends from college: Manish Sugandhi, Aditya Sharma, and Nikunj Agarwalla. Manish, who is excellent with numbers, always projected vigorous energy on the people working with him. He also happened to be a co-founder at the previous start-up that I joined, Perdix. Aditya, who stayed two doors away from my dorm room for the four years of graduate studies, is undoubtedly one of the smartest engineers with whom I have ever worked. Nikunj, whose prowess is to break complex situations and present them in simplistic modules, was the person I enjoyed spending most of my time with back in college. Be it mischiefs, studies, or travel, we did a lot together.

A few months after launching the start-up, one of my dearest childhood friends, Sushant Gupta, joined us, and a little later, my younger brother, Rishabh Jain. Sushant has been my go-to guy for any personal advice, and someone with whom the equation never changed despite studying in different colleges. Of course, while walking into new environments, we made new friends, but it was hard to replace this bond. We knew so much about each other that if we ever went on a game show called 'Do You Know Your Best Friend?', we'd win the grand prize by a landslide. Similarly, my younger brother, Rishabh, who then recently completed his engineering, had been my partner in crime throughout childhood. With him, I practised every sport that I wanted to be good at. To this day, he is my cherished opponent to lock horns with, in the games we both love –snooker and badminton.

There are numerous examples around us where old friends founded start-ups. Ride-hailing unicorn Ola was founded by IIT-Mumbai batchmates Bhavish Aggarwal and Ankit Bhati. IIT-Delhi graduates, Deepinder Goyal and Pankaj Chaddah worked as analysts at Bain and Company before launching Zomato. Shashank ND and Abhinav Lal were batchmates at National Institute of Technology, Karnataka. In 2008, while still in their final year of B.Tech in Computer Engineering, the duo founded Practo Technologies. Snapdeal's Kunal Bahl and Rohit Bansal go a long way back as childhood friends who went to school together.

For Microsoft's Bill Gates and Paul Allen, it all started while in middle school, when the two programming geniuses first met. Bill joined Harvard University, but after a year, Paul convinced him to drop out, and he obliged.

At GrabOnRent, most of my close friends came together within the first year of starting up to realise a distant dream. It was a choice I made against the general advice of brooding over the nuances of working with close friends. While it could be true, I have been fortuitous to have navigated through it all much easier largely because of the kind of people they are.

I asked myself a set of difficult questions as the CEO at the time of their advent at various stages of the start-up, and now, after having worked with them from four to seven years, here are the answers that helped me.

Will they trust me?

Imagine you are striving hard to steer a ship through unknown waters. You might not know the direction nor have every answer, and your optimism may seem delusional at times. Unlike employees, your close friends have trusted you in good and bad times personally. Would that same trust from the past also reflect professionally?

Here's an excerpt from a letter that I wrote to the team during our business's peak season.

> *June 2018*
> *A farmer used to sell a kilogram of butter to a baker in the city. They had known each other for a long time. One day, the baker decided to weigh the butter to see if he was getting the right amount, and to his surprise, he wasn't. This infuriated him, and he took the farmer to court.*
>
> *The judge asked the farmer if he was using any measure to weigh the butter. The farmer replied, "Honourable judge, I am a primitive farmer, and I don't have a proper measure, but I do have a scale."*
>
> *The judge asked, "Then how do you weigh the butter?"*
> *The farmer replied, "Your Honour, long before the baker started buying butter from me, I have been buying loaves of bread from him, each weighing a kilogram. Every day, when the baker brings the bread, I*

put it on the scale and give him the same weight in butter. If anyone is to be blamed, it is the baker."

In life, you get what you give.
There have been instances in each of our lives where we had to choose between doing the right thing or choosing a shortcut to save face. The shortcut is always appealing, simple, and with a visible end. The right thing is hard, with an imprecise end, making it look harder than it actually is.

It is important to be a good person before being successful – said everyone. It requires a humble and honest act daily to become a good person – said no one.

A natural relationship between friends is formed by sharing thoughts and emotions with utmost honesty, without seeking a judgment or a reward. And that's precisely why we love being with those friends. In a professional environment too, building trust with your friends requires honesty and transparency. Your workplace never demands you to be any different from the tone of the relationship that you share with your friends already.

As a CEO, you must understand that you are not being judged or rewarded for your business proficiency every single time. You need not prove yourself as the smartest brain in the room whenever you enter a discussion. Sticking with being honest reflects your elementary ability as a leader and helps you gain the trust of your friends and peers alike.

How much vulnerability is ok?

Unlike employees, your close friends have always lent their ears, allowing you to open up about your mood-swings or mistakes. You've never been afraid of sounding vulnerable. But does being vulnerable at the workplace challenge your leadership?

Brené Brown, a research professor, bestselling author, and star of a popular TED Talk, was once in an awkward spot. Speaking to 150 hedge fund managers in London, she was five minutes into her presentation on vulnerability and courage, when one bold British man raised his hand.

"I don't know why you're here," he said. It was a mandatory meeting, and the one who raised his hand wasn't alone in his frustration. *"We're in a highly compliance-driven industry, and vulnerability simply isn't an option for us."*

Taken aback for a moment, Brené smiled and asked, *"What's more vulnerable than standing up in front of a group of people whom you work with, and saying, 'this is not the right thing to do'? What's more courageous than making an ethical decision when all your peers are going the other way?"*

Oh boy, now they understood.

The society considers vulnerability synonymous with weakness, but Brené believes otherwise. Vulnerability is the willingness to show up and be seen by others, in the face of uncertain outcomes. There's not a single act of courage that doesn't involve vulnerability to some degree. Vulnerability and courage allow you to have difficult, uncomfortable conversations with colleagues and friends, and almost any company culture could improve by having more difficult discussions instead of brushing a few under the carpet and ignoring the rest.

I remember an effortful conversation with Manish regarding a big-ticket deal.

Me (shaking a bit): "*I committed a blunder!*"

Manish (inclining towards me): "*Go on...*"

Me (growing nervous by the second): "*I lost one of the biggest deals that we could have ever had. I thought I could negotiate harder with the client, but he walked out of it, favouring a competitor's bid.*"

Manish (surprisingly calm): "*What do you think is the repercussion?*"
Me (unable to look into his eyes): "*We are now pushed back by two months in realising our targets because now the hunt needs to be restarted!*"

At this point, I was expecting a lash-back.

Manish (still calm like the deep blue sky): "*Can we manage to cover up by some other deal in the pipeline?*"

I was surprised that he did not develop a frown on his forehead and that he was focussed on finding a logical solution instead of criticising. Not long after, the act naturally reciprocated when he disclosed his fear of decision-making because the available data wasn't syncing with his intuition and thus, wanted to seek my opinion.

I noticed a striking difference in my peers' behaviour every time I disclosed my vulnerability by accepting that I'm not good at particular stuff, and want to learn more about it. And when such events took place, it exposed their understanding side. They believed that I am also trying to learn on the job and that I have the courage to accept disappointments with the same face as excitement. As a result of such an environment, I could witness friends and peers coming up with supporting ideas, volunteering with newer initiatives, and displaying the courage to stand by me through difficult times. What could be more comforting for a CEO than a team who understands his position?

Brett Hurt, former CEO and co-founder of BazaarVoice, helmed the company that was valued at $600 Million while leading a large team of 800 people. In one interview, he said, *"Revealing vulnerability is counterintuitive for a CEO. In such an exposed role, it can feel as though demonstrating anything other than strength is seen as flawed, maybe even broken."* Brett begged to differ, and explained, *"Certainly, human beings work at your company, and none of them is perfect. They'll respect you as a CEO for actually admitting when you've made a mistake. They'll model it. You won't have an air of bullshit in your company."*

Is our friendship going to be dented?

When you are the boss, the hardest reality for your friend to swallow is that you will always have the authority over the final decisions, whereas your friend may not. Despite the fact that you'll place the company's interests ahead of yours, you may not always be able to hold your friend's opinions paramount. Workplaces, in early or growth-stage companies, emulate a war-room. There are arguments and disagreements (though for a common goal), but things can sometimes get intense. You may be wary of hurting your friend's emotions while wearing absolutely the right hat.

The truth is, it is rather unavoidable in any business-setting, where decisions are taken towards a particular direction, to unconsciously overrule some popular opinions of the minority. At times, co-founders or manager-CXO would inevitably have different views about a certain decision or process. It is also not unwarranted that it could lead to conflicts in a business environment. Yet, they are your friends.

The unfailing way to deal with issues of care and closeness is first to acknowledge your friend's opinion. A simple 'I can see where you're coming from' can be profoundly validating. Next, describe the rationale behind your choice. Narrating the foundation of your stance in a story format can go a long way in convincing people in the room about why you favour a particular decision. The vocabulary you use is the key. Banging your drums repeatedly about something would naturally upset others. As a leader, you must refrain from making your point authoritative and not backing it with proof, ensuring that you are propelled by data rather than driven by superiority. And if the available data is too limited to draw a clear decision, present your stand-point without demeaning others in the room by calling them wrong; instead, patiently explain why you think your choice makes sense.

As a CEO, the hard part of decision-making is taking responsibility for the outcomes, with or without having had conflicting opinions with your friend. You must know that it's your company, and so every outcome in the face of it will be yours and only yours. When you assume an unwanted outcome to be your failure, regardless of whether the decision favoured your friend's belief or not, people around you will practically become accustomed to your righteous leadership style. And they seem more likely to follow suit with their juniors in the organization.

Gary Tan, the founder of Posterous and Posthaven, and a former partner at Y Combinator, narrated his experience about identifying if you have allowed your friendship to dent. He said, "*If you haven't spent time together outside of work, ask yourself why? If you see your co-founder coming down the hall, do you alter your course to avoid him* *or her? Do you try to keep your interactions at a minimum? If so, it's a clear sign you're avoiding some conflict by just avoiding them, period. That's just not going to work.*"

He continued to explain, "*Successful leaders embrace conflict, and are constantly in the process of resolving it with their teammates. If you can't argue and arrive at the best solution, you're not doing the work to have a real, healthy working relationship.*"

What if I have to fire him one day?

There might be a day when you deduce that your friend is no longer the right fit for the company but wonder if firing him might dent your friendship. When you brought him into the company, you would have certainly felt proud. After all, you were the one backing his talent and abilities. Contrary to other employees recruited by other managers, you naturally take a keen interest in his performance. For instance, consider a teacher who teaches a class that her son attends. Not appearing impartial, yet categorically keen, she may end up being a little tougher towards him.

As the CEO, the question that always comes to mind is, should you fire your friend at all?

Sadly, if you are asking this question, you probably already know the answer. While preparing yourself mentally, you must place other employees and the company's goal over your friend's. In his New York Times bestseller book, *The Hard Thing About Hard Things*, Ben Horowitz described, "*The good of an individual must be sacrificed for the good of the whole. The possible reasons that you stand here are because your screening process allowed hiring for lack of weakness rather for his strengths, or you did a poor job in defining the position and hired for a generic position, or maybe, you simply failed to integrate him to the system.*"

Ben continues to explain the emotions you must be aware of. He said, *"The feeling of betrayal creeps in when he thinks: I've been working my ass off for this company since the beginning, and now you don't find me worthwhile to continue? It's not like that you are perfect for the job either. How could you do this to me?"*

And then comes the embarrassment. All of his friends, colleagues, and relatives know about the position he held in your company. How will he possibly explain to those people about why he was thrown out of an executive position? These are some powerful emotions. Ironically, the key to managing emotionally charged discussions is to remove the emotion from the conversation.

The single best way to execute the decision is to be honest. Explain the reason clearly – maybe you screwed up, and therefore the company cannot afford to keep him anymore, or he failed you on more than one occasion, hurting the company's growth and the revenues. You cannot have an open-ended conversation, which leaves the final decision to him. Be sure about whether you want to shift him to a new position or just fire him. Open-ended conversations will leave more room for errors or unanticipated, undesirable outcomes. If your friend understands your decision to shift him to a lower position with different responsibilities, you'll be better off having a strong person in your team who accepts criticism without anger. If he accepts your decision to fire, you'll still get to keep your friend, maybe, outside of work pressure and company goals. And if that doesn't happen, you know that you were going to face this problem soon anyway.

Friendship is a deep bond you nurture over years. Care and love are fluidic in a bond whose foundations are built upon mutual respect and empathy. Tough times challenge those very foundations, and it is for you to answer how badly you want to defend it. I have engaged in several quarrels with my co-founders, who had been my friends long before founding the company, with the intensities ranging from a needle-prick to a lightning shock. Yet, on every single occasion, there was a magical pattern to its ending. Whether or not we arrived at a resolution through that workday, we would be sharing a hysterical laugh over a couple of beers during the same night.

CHAPTER 7

Firing the Right Way

Four months into GrabOnRent, in January 2016, I was holding two investment term-sheets. Funds seemed ready around the corner and carried a promise to alleviate our financial woes. We anticipated that the process of drafting definitive agreements would consume a month or two, and decided to act upon the plans we had been holding back to this day. We accelerated the recruiting process to identify individuals who could lead various business verticals – importantly, the supply chain.

We swiftly handed offer letters to two fantastic individuals who would join us in a month. Those two gentlemen were a serious catch! They not only resonated with our vision of providing everyone with the accessibility of goods but also were hungry for success. Both of them had garnered deep learnings while working at large-scale organizations and specialised in operations and logistics before acknowledging their desire to build an entire supply chain for an early-stage start-up. As they had graduated from ivy-league MBA colleges and possessed an excellent mix of personal traits that we hunted for in the early team, we did not mind recruiting them at ridiculously high salaries.

However, it took us a painfully long time to close the round – precisely six months from then – thanks to our inexperience in raising funds. With each passing day, challenges regularly surfaced one after the other and pushed the investment closure to a later date. The company was required to obtain several certifications and affiliations to ensure that all regulatory compliances were met before signing the deal. In just about two weeks into their joining, we realised that we were nowhere near witnessing the funds hitting the bank. We were not sitting upon a pile of cash to remunerate the new entrants freely. The founders were relentlessly borrowing money from friends and family to pay the regular staff salaries and the office rent. We understood that we had committed a huge mistake by recruiting before securing the funds from investors. This flawed forecast drove us towards the first-ever firing decision in the journey of our business.

The two gentlemen, whom we believed would emerge as proud assets of the company, were distinctively the first ones we needed to let go. Terror gushed inside me. We were staring at our biggest mistake in the journey until then. We had asked them to join us, made them believe in us, handed them the charge of leading their respective verticals, and in no time, unfolded that their trust was misplaced. I felt like a criminal.

To execute the task to lay-off those two joinees that day, I asked them to stay back after the office hours. I prepared content for the chat and rehearsed it over ten times. Manish and Nikunj sat next to me in the conference room. Though the conversation did not conclude with retaliation, it certainly filled the atmosphere with certain unpleasantness.

We did a few things right.

We acted quickly. In an organization where actions don’t follow decisions, more considerable miseries are bound to happen. Had we not mustered the courage to hold the firing chat as quickly as possible, we would have risked the salaries of the entire workforce. A few members from the workforce might have even deserted the company to pursue other opportunities. Others who would have decided to continue might have found their motivations severely diminished. Despite money not being the only motivation that threads a team together, it is a crucial one. It affects everyone differently. And as a CEO, I had to place the interests of the many ahead of a few.

We informed the rest of the team. We disclosed how we took an erroneous call as founders and what we learned from the incident. We honestly accepted falling for the funding-anticipation trap. During a conversation with one of the senior members later that day, he said, *"It was comforting that you first assembled the management team in a room, and told us what was going to happen. This little chat ensured that our jobs were secure and that the recent hiring proved a mistake. Hence, you had to let them go. Once this happened, there was no need for us others to be scared."*

We built the story around the truth. There was no way better than telling the executives the truth as we had thought hard about the decision and owed it to them without sugar-coating. There was no one else to blame, so we clearly articulated that we fucked up as founders, and it wasn't their fault that they were being asked to hunt for a new position. Being decisive in communication is the only way to keep the chances for unforeseen outcomes during the conversations at bay.

We cared. Since it was not their mistake, we cared to say that our fault shouldn't dishearten them. Their career was still ahead and seemed bright for the invaluable people that they were. The last thing we could imagine was leaving their spirits shattered because of the incident. Although they would have stopped believing in anything that I'd say right after learning about getting fired, the least I could do was to stay humanly compassionate. Besides, what would we expect the remaining co-workers to feel if they someday learned that a departing employee was mistreated during a termination process?

We supported them in our best capacity. We helped them transition into the next job by finding new positions in peer start-up circles. A quick transition would mean a zero downtime of income. Simultaneously, we kept a severance package ready, as much as we could manage from the borrowed money. Once asked to leave, I knew, they certainly would stop worrying about the company and begin to think about themselves and their families. Providing them with specific details of the severance support from the company assisted in relaxing a few nerves.

We also did something wrong.

Although the conversation did not take an unprecedented turn – which was our biggest worry – we knew that they were disappointed in us, and rightly so. I felt like a sinner, wondering how I dented someone's career in the quest to build my dream. Those two hours, sitting in the conference room, left a deep scar in each founder's life. Guilt ruined our mental state for days after the incident, also affecting the intensity with which I approached the fundraising process. On many nights, I couldn't help but wonder about horrid future events that could put me in a similar situation. I wished I wasn't the CEO anymore.

After making such a decision and finally letting such able people go, it won't take long before you start asking yourself if you did the right thing. Was there something else that you could have done instead? Would he be able to continue his children's education now that he has no other job at hand? It can be tough to axe an employee, no matter how justified the decision is. After all, it's someone's livelihood, and it's tough to be that person who takes away their source of income and crushes their self-worth. You are only human, and it is reasonable to feel guilty when you just delivered such grinding news to someone; even worse when you are the one who made the decision.

Unfortunately, there's no easy way to get over the guilt of firing colleagues, especially when they weren't the culprits. As a CEO, you'll encounter several other situations when firing is the only route to save the company's future, efficiency, or culture. And the feelings will then repeat, making you stoic. The sooner you realise that it was not the last time you had to fire someone, the faster you'd be able to focus your energy on the actions that matter from thereon.

The show must go on!

Mass lay-offs

In May 2014, Professor George Foster of Stanford Graduate Business School published a rattling study on the sustainability of jobs created by start-ups during their lightning growth period. He, along with his collaborators, tracked 158,000 start-ups globally during the five years after their inception. They found that while some young companies enjoyed a significant job growth, other firms substantially offset those gains by their losses. Among companies in their fifth year (refer 'Chart 1'), for example, the total job destruction – decline in headcount among retrenching companies – amounted to 65% of all the new jobs created in that year. To add a twitch, it doesn't count jobs lost in start-ups that went belly-up, or jobs cannibalized when start-ups take the market share from incumbent firms – a phenomenon that economist Joseph Schumpeter called 'creative destruction'. The popular online media streaming platform, Netflix, is one of the modern examples of creative destruction, having overthrown CD, DVD, and traditional media industries.

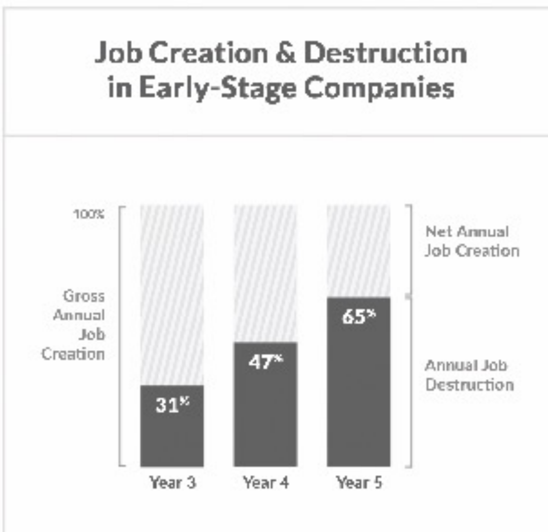

Chart 1 – By Professor George Foster on 'Job creation and destruction in early-stage companies'

The study was widely covered by media, adding certain reasons to the findings, such as delusional scaling of business, unsustainable business models, and high dependency on VC funding. This fragile sustainability of job creation is also quite evident in the context of Indian start-up ecosystem, where we have witnessed large-scale lay-offs by unicorns (start-ups that are valued over a billion dollars) even when the market conditions were favourable. The bottom line is, mass lay-offs are real. And no CEO builds a start-up with any form of training to handle this.

GrabOnRent's Case

In August 2018, we encountered a huge setback. In my attempt to raise Series-B investment backed by a stellar performance in the previous financial year, every VC that I met rejected the opportunity to invest. The terror of failing as an entrepreneur began haunting me day and night. It almost seemed to be a dead-end. I remember one of those days when I was so frightened to show my face to anyone; pathetically sweating, I did not attend any phone call for 24 hours straight.

What options did we have?

Thought of going back to existing investors to raise another round – I laughed to myself, thinking, '*you gotta be kidding!*' We feared that our plea would be rebuffed because we failed to manage the money that we had raised earlier. Moreover, VCs are answerable to their investors, Limited Partners. They must have a strong rationale to invest every penny into a business.

Thought of pivoting – Over the years of running the business, we built expertise in sourcing and managing the supply chain for highly unorganized categories such as furniture and fitness equipment. Capitalising upon it, we could annex selling on e-commerce marketplaces to generate monthly profits, thus fuelling the profitability of the rental business.

Thought of shutting down – This was the scariest of all. Three years of relentless efforts, 150+ sleepless nights, 1500 quarrels, 150 careers depending upon us, and the trust of 15,000 customers – we were at the edge of losing it all.

We were scared to the bones.

I kept questioning myself – *'How can I digest this fate? A few months ago, I was riding the mightiest lion in the town, and now the lion doesn't have a limb!'*

In our effort to buy time, we listed the unwanted expenses, without which survival was possible. And we acted upon it. At a point though, we realised that merely cutting the marketing expenses or software costs would not bring down our bills by a considerable margin. We needed to attack a mightier fish. The only conceivable step was to lay off a sizable proportion of the staff. It was agonising even to imagine axing so many people together, especially when I knew that among them were people getting married, and some becoming parents.

We eventually decided to lay off 50% of the workforce, reducing the overall salary expenses substantially and offering hope for a revival of the business. It was a bloodbath, and it made the founders feel horrific. But it was inevitable – if not for that move, we might have had to let everyone go after a month.

Mass lay-offs are contrasting to a single-person firing.

In a single-person firing, you identify specific members who could fill the newly created void and maintain the spirit of the workplace. Mass lay-offs paralyse the entire organization's spirit.

Single-person firing allows the organization's momentum to continue in the set direction. Mass lay-offs cripple it completely.

Single-person firing can be practically explained to the remaining staff, with relevant reasons. Mass lay-offs create an uproar, leaving everyone shocked. Their peers' fate sends them a message that hard work and good performance do not guarantee their jobs.

Single-person firing doesn't threaten the jobs of remaining people. Mass lay-offs cast dark clouds of uncertainty over the remaining staff, leaving them agitated, and affecting their performance and morale, amidst other things. They'd be waiting for the next round of cost-cutting lay-offs, fearing they could be next.

You can prepare yourself mentally for a single person firing, and help the person either personally – by referring to the right places, or financially – by offering a respectable severance package. Mass lay-offs destroy your state of mind, as it is practically difficult to help every single one of them.

Single-person firing doesn't affect the standards of the customer experience promised by the organization. With the responsibilities of all staff members getting rejigged, and maybe even additional responsibilities added to the existing staff, mass lay-offs concede a slippery slope in trying to maintain the same standards.

Nokia's Case

In its 2018 issue, Harvard Business Review covered Nokia's mass lay-offs, which took a horrible turn. At the beginning of 2008, the company celebrated a 67% increase in profit compared to that of the previous year. Yet, competition from low-cost Asian products drove Nokia's prices down by 35% over just a few years. Meanwhile, labour costs in Nokia's Bochum plant in Germany had risen by 20%. For management, the choice was clear: Bochum had to go. Juha Äkräs, Nokia's senior vice president of human resources at the time, flew in to inform about the lay-off to the plant's 2,300 employees. As he addressed them, the crowd grew more and more agitated. "*It was a totally hostile situation,*" he recalled.

The anger spread.

A week later, 15,000 people protested at Bochum. German government officials launched an investigation and demanded that Nokia pay back the subsidies it had received for the plant. Unions called for a boycott of Nokia products. News mediums were loaded with pictures of crying employees and protesters crushing Nokia phones. Ultimately, the shutdown cost Nokia $220 Million – approximately $90,000 per laid-off employee – not including the ripple effects of the boycott and the bad press that followed. The firm's market share in Germany plunged; company managers estimate that between 2008 and 2010, Nokia lost $750 Million in sales and $110 Million in profits.

In 2011, when Nokia's mobile phone business tanked, its senior leaders decided that they needed to restructure again. This involved laying off 18,000 employees across 13 countries over the next two years. Chastened by their experience in Germany, Nokia's executives were determined to find a better solution. To help in that vein, a small team of senior leaders developed Nokia's 'Bridge Program', which aimed to ensure that as many employees as possible had a new opportunity lined up the day their current job ended. Nokia opened Bridge centres in the 13 countries where the lay-offs would take place. The program outlined five paths that employees could choose from:

Find another job at Nokia. To avoid favouritism, Nokia formed selection committees to determine which employees to retain instead of letting the local managers choose.

Find another job outside Nokia. The centres offered outplacement services, including career coaching, resume workshops, career fairs, and networking events for the employees in question.

Start a new business. Individual employees or teams could present business proposals to win grants of up to $28,000. Employees were given two months to develop their plans, and additional support such as training, mentoring, and networking introductions. Nokia took no stake in any of the funded businesses, giving the people free reins.

Learn something new. Nokia offered training grants to the departing employees so that they could pursue business-management and trade-school courses in four other fields – restaurant management, cosmetology, construction, and firefighting.

Build a new path. Nokia provided financial support to employees who had personal goals that they wanted to accomplish, such as volunteering in for-profit and non-profit organizations.

Nokia spent $55 Million on its Bridge Program (about $3,000 per employee). It accounted for under 3.5% of the cost that Nokia had spent on restructuring in 2008 - 2010. As a result of the program, 60% of the 18,000 affected workers knew their next step the day their jobs ended. Overall, 85% of the Finnish Bridge participants said they were satisfied with the program, while 67% of global employees felt similarly.

Furthermore, the lay-off candidates and the remaining employees maintained or improved the quality levels throughout the restructuring. Employees who were targeted for downsizing achieved $3.8 Billion in new-product revenues – about one-third of new-product sales – the same proportion they had brought in before. Employee engagement scores in all areas of the company held steady throughout the restructuring. And, unlike the situation in Bochum, this time there were no labour actions of any kind in all the 13 countries where these lay-offs happened.

By all accounts, Nokia had indeed found a better approach to workforce alterations.

TinyOwl's Case

While large companies might be able to muster resources to support departing employees, it is reasonably challenging for start-ups to generate similar support standards. At times, the series of events could turn utterly chaotic, both for the founders and for the laid-off employees.

Two years into the business, TinyOwl, a Mumbai based food ordering platform, announced INR 50 Crores fundraise from Sequoia Capital and Matrix Partners on October 30, 2015. The funding arrived with an understanding that TinyOwl would undergo a major restructuring to control its burn rate after having already laid off nearly 100 employees a month before the new funding round. Parts of those changes included an understanding to move TinyOwl's order processing to a third-party app and to lay off another 112 employees from its various office locations.

As part of that restructuring plan, the management decided to shut down its operations in four major cities, including Pune. Two days after the funding announcement, on November 3, Gaurav Choudhary, one of the five co-founders at TinyOwl, travelled to Pune to oversee the office's closure. Soon after Gaurav relayed the atrocious news of lay-offs to TinyOwl's Pune-based team, the employees asked him to pay them immediately. When he replied that he couldn't manage that, they refused to let him leave the building for returning to Mumbai. They held Gaurav hostage over settlement issues. Their complaints highlighted the treatment that the past employees of TinyOwl had to go through and indicated the fear that the same would repeat. Upon being fired, the previous employees were handed post-dated cheques, which were yet to be cashed. Gaurav was eventually held hostage for over two days in TinyOwl's Pune office before he could return to Mumbai.

It was a sad incident that could have been handled better by both sides.

Compiling cues from various CEOs who undertook mass lay-offs at their organizations, there are certain non-negotiable actions that one must take care of during the process.

Be sure of what you speak.

As the CEO, be prepared to speak the truth. You screwed up, or the market conditions went berserk. Be definitive in what you say, rehearse and then go into the meeting. Inform the departing staff that there's no other choice – no demotion, no deferring of salaries, not a thing. Those people could be furious at you, maybe yell and cry, or react with some form of agitation, but you need to stay focussed as there's another section of the workforce waiting for their leader to scoop them out of the terrible state the business is in.

Do it yourself.

Do not delegate this to your managers or HR. As a CEO, you are the face of the business, both on the outside and the inside. You cannot apply for leave or delegate the unpleasant task to others at such a crucial moment. You were present when they had joined the team, you were the one who built their confidence in the vision of the business, and so you must be present while disclosing the hard truth.

Act Fast.

If you've decided to lay off tens or hundreds of staff, do it the same day, or within a few hours of a workday. You do not want confusion or panic to spread across the remainder of the team, leaving them praying to the Lord so they would not be summoned next and asked to leave. This will deteriorate the environment and instil uncertainty in their jobs. Instead, lay off in quick succession; ask those people not to come to the office from the very next day. Clearly describe that either you are willing to assist them in finding new roles in other companies through personal referrals, or you are offering them a respectable severance package, or both.

Address the remaining staff.

After you finish with the firing, address the remaining team members with utter preparedness and honesty. They have seen what you did to their friends and colleagues, whom they had worked with all this while, and they must be living in fear that they may be next. You need to catch the nerve before it ruptures. You must tell them how you screwed up, and explain that to correct the course, you had to lay off their colleagues. And most importantly, reiterate how the remaining staff members are crucial for the rebuilding exercise. They need to know your action plans, and in turn, you need their confidence.

One of the biggest questions CEOs face while grappling with a constantly shifting economic landscape is whether the current workforce can help them make the necessary transitions towards the company's success, especially after bidding adieu to such large numbers of members. While it may be inevitable to prioritise the short-term survival of the company over the long-term well-being of the employees, ensuring a fair process and not abandoning human grounds while deciding for the exiting employees will go a long way in maintaining the trust of those who remain.

CHAPTER 8

Communicating in Tough Times

When the market condition is screwed

"A crisis brings you clarity about what is truly important." – Brian Chesky, CEO at Airbnb.

The global economy suffered a severe paralysis with the onset of the Covid-19 pandemic at the beginning of 2020. According to the Centre for Monitoring Indian Economy, the unprecedented calamity swung unemployment rates in India to 23.5% in April 2020, up from 8.7% in March 2020. The tremors were experienced not only in the Indian subcontinent but also in the world's largest economy – the United States. According to Fortune, 38.6 million US residents filed for unemployment during the pandemic, taking the tally to a whopping 14.7%, from the earlier average of 5.7% between 1948 and 2019.

Fearing the spread of Covid-19, companies of all scales were compelled to take necessary actions to stay afloat, be it curtailing marketing dollars, halting expansion plans, or laying off employees.

No company was spared from the catastrophe that took the entire world by surprise.

One of the hardest-hit industry was hospitality. Airbnb, a global leader in vacation rental homes, reduced its workforce by 25%, firing 1,900 of its 7,500 employees across its global offices. While there was no easy way to disclose this information to the team, Airbnb's CEO, Brian Chesky, instilled a human touch and showed the world’s leaders how to execute the horrendous task of laying off hundreds of employees. In his letter to the employees, he took a heartfelt approach devoid of any ego, setting an example.

Here are a few excerpts from Brian’s letter that exemplified sophistication and courage and that I will treasure for a long time to come.

Confronting the situation without acting like the smartest person in the room

> *“We are collectively living through the most harrowing crisis of our lifetime, and as it began to unfold, global travel came to a standstill. Airbnb's business has been hit hard, with revenue this year forecasted to be less than half of what we earned in 2019. In response, we raised $2 Billion in capital and dramatically cut costs that touched nearly every corner of Airbnb.*
>
> *While these actions were necessary, it became clear that we would have to go further when we faced two hard truths:*
>
> 1. *We don't know exactly when travel will return.*
> 2. *When travel does return, it will look different.*

> *While we know Airbnb's business will fully recover, the changes it will undergo are not temporary or short-lived. Because of this, we need to make more fundamental changes to Airbnb by reducing the size of our workforce around a more focused business strategy.”*

The uncertain future of the travel industry rendered the management members and the staff equally clueless. Rather than coming out as an authoritative leader, these words reflected his vulnerability that arose from not knowing more than others. With limited information available to predict the course of future events, he backed his instincts to reduce cost structures, and live to see another day.

Transparency in the decision-making process

It is not unfamiliar to communicate the news regarding job losses to the workforce without providing the details that drove to the decision. This invariably gives birth to confusion among the staff and allows room for assumptions, which become toxic to a company's culture and destroy what was built through years of hard work. People lose trust in the leadership and adopt a selfish approach similar to what their leader displayed.

Brian brought transparency to the process that led to laying-off 1900 employees.

> *“Our process started with creating a more focused business strategy built on a sustainable cost model. We assessed how each team mapped to our new strategy, and we determined the size and shape of each team going forward. We then did a comprehensive review of every team member and made decisions based on critical skills, and how well those skills matched our future business needs.*

It was important that we had a clear set of principles, guided by our core values, for how we would approach reductions in our workforce. These were our guiding principles:

- *Map all reductions to our future business strategy and the capabilities we will need.*
- *Do as much as we can for those who are impacted.*
- *Be unwavering in our commitment to diversity.*
- *Optimize for 1:1 communication for those impacted."*

It is difficult to adhere to your principles transparently when blown away by a recession. Yet, transparency breeds loyalty in uncertain times. And loyalty is all you could ask from your remaining staff, to bounce after suffering a setback.

Showing empathy

The first question that an employee who has been fired will ask is – *Why me?* Brian laid down early in his letter that the reason wasn't the employees' performance or skills. He prevented a potential mental breakdown amidst them by addressing it. He further revealed his empathetic side by remembering what the company stood for and honouring the contributions of the departing employees.

"These decisions are not a reflection of the work from people on these teams, and it does not mean everyone on these teams will be leaving us.

The result is that we will have to part with teammates that we love and value. We have great people leaving Airbnb, and other companies will be lucky to have them.

I have a deep feeling of love for all of you. Our mission is not merely about travel. When we started Airbnb, our original tagline was, 'Travel like a human'. The human part was always more important than the travel part. What we are about is belonging, and at the center of belonging is love.

To those of you staying - One of the most important ways we can honor those who are leaving is for them to know that their contributions mattered and that they will always be part of Airbnb's story. I am confident their work will live on, just like this mission will live on.

To those leaving Airbnb - I am truly sorry. Please know this is not your fault. The world will never stop seeking the qualities and talents you brought to Airbnb, which helped make Airbnb. I want to thank you, from the bottom of my heart, for sharing them with us."

Hoping that other companies could benefit from Airbnb's loss exemplifies a great leader's grace. He acknowledged that those employees' talents and skills would be invaluable to whichever organization they associate with, and considered the separation his company's misfortune. By asking the remaining employees to remember the contributions of those who were being let go, he instilled the much-needed confidence among the departing employees that they played a crucial role in bringing Airbnb to where it has reached.

Setting example of care

Though it may sound easy to show empathy, it's easier to forget that those who get fired are humans, too. After all, they'll need more than just moving words and encouragement to maintain a livelihood for themselves and their families.

"To take care of those that are leaving, we have looked across severance, equity, healthcare, and job support and done our best to treat everyone in a compassionate and thoughtful way."

Brian announced a severance period of a little over 14 weeks to each of the departing employees. Further, the company continued to keep them as shareholders by accelerating the respective vesting of shares, year-long health insurance, and four months of mental health support.

It didn't stop here. Brian specified,

"Our goal is to connect our teammates leaving Airbnb with new job opportunities."

He launched an 'Alumni Talent Directory', a public-facing website to help them find new jobs. He turned a significant portion of Airbnb's recruiting team into the 'Alumni Placement Team'. Recruiters that stayed with Airbnb provided support to the fired employees to help them find their next jobs. And lastly, Brian allowed all of them to retain their laptops to support them in their job hunts – quite an uncommon practice.

These are extraordinary steps to support the people who will no longer be contributing to your company. These could be easily disregarded as additional expenses by some leaders who would decide against stepping out of the way. But with his actions, Brian proved that he is human too and that he cared for the people who passionately devoted so many years building a company that the world admires.

When you screwed up

On failing to secure the coveted Series-B funding, by September 2018, I resentfully laid off half the staff at GrabOnRent to ease the burden of costs. We also surrendered one of the floors from our double-storey office in the HSR area, Bangalore. Then, we increased our product prices throughout the selection, removed all discounts, and brought marketing expenses within shoestring budgets. It was the only choice to buy time. No additional rupee was spent that could have been lived without. We resolved to survive to see another day. As a consequence of several cost-cutting steps and increased product pricing, the daily orders slid by a staggering 75%.

When a CEO takes such drastic steps, it naturally unleashes chaos. The obvious question is, *'Then how do you keep the remainder of the team confident of your roadmap?'* No matter how messy the roadmap is, or how badly you fucked up in the past months, whether you are about to hit the jackpot or are running out of lifelines to run the business, it is imperative to keep the team informed about the major strategic moves. The teams are an eccentric component of the company. Their contributions to building the business could have spanned up to several years. They deserve to know whether they would get to retain their jobs after such a fierce change in the organizational route map, or whether they would be asked to pack their bags. Would they still get the opportunity to scale the business, or would they have to succumb to low growth opportunities – opposite of what they imagined on joining. The CEO alone will have the complete picture of the business and its future, better than anyone else; the staff usually doesn't have any clue. They will undoubtedly be worried, contemplating their careers. Besides, if CEOs cannot be honest with their team, they can forget about expecting the same team to stand tall through highs or lows.

After a slew of severe changes to the course of business, I decided to let the team know about the current situation. Here are some excerpts from the communication that I offered.

Accepting the wrong

September 2018
"We have seen numerous consumer internet businesses raising huge investments, backed by rapid growth in their respective segments. Companies have raised hundreds of millions of dollars in the last few months to strengthen their respective market shares. Surely, it helped them win any price war against their competitors or capitalise on branding opportunities to position their businesses at newer heights.

Unfortunately, at GrabOnRent, we attempted a similar high-growth and high-fundraise philosophy and tried various permutations of categories and cities, but we could not bag the desired investment. We have faced rejections from over 50 investors for multiple reasons, the most prominent one being the increasing revenue gap between the leading market player and our business. They fear that we might never be able to overtake the competitor's growth numbers, given that they have much deeper pockets than ours. And honestly, looking upon the last 5 months of our company's performance, we have nothing but a deteriorating graph."

Approach to making a decision

"Consumer businesses such as ours need sizable investments to generate enough demand and reach a tipping point after which we could expect a natural growth curve. Consider the examples of Swiggy and PayTM. They had to invest billions of dollars in invoking a behavioural change among the masses before becoming verbs themselves — the common parlance now including phrases such as 'Swiggy it' or 'PayTM it'. So, the questions that we asked ourselves

were — "Do we have that kind of money? Do we have that kind of growth? Can we compete and win a price-war against our competitors?" Clearly, no. And thus, we need to shift from the rapid-growth strategy to become profitable with the least expenses and frugal behaviour.

Paul Graham – a sought-after business guru who founded Y Combinator – wrote, 'Apparently, the most likely animals to be left alive after a nuclear war are cockroaches because they're so hard to kill. That's what you want to be as a start-up, initially. Instead of a beautiful but fragile flower that needs to have its stem in a plastic tube to support itself, better to be small, ugly, and indestructible.' Hence, survival is the key."

Transmitting confidence

"As founders, we are still convinced that our industry is here to stay, and consumer behaviour is veering away from giving importance to ownership. But we need to survive to see that day. We need to see tomorrow's light, and the only way for that is to survive this dark phase. Today doesn't look good, but tomorrow might be better. And we cannot do it without you. You have supported us throughout, in good and bad times alike. We still need to come together and play our parts. We need to keep the business running with the least NPAs (non-performing assets), consistently score high collections every month, and importantly, maintain a high standard of services. I urge you to drop all your worries about job security or professional growth. No further lay-offs will follow. We are over the hardest part.

Speaking on behalf of my co-founders, as long as you are a part of this team, I promise to stand with you through these times and take responsibility for ensuring that we grow together.

Do you trust that we can bounce back once again? Do we, as a team, have the required patience?"

And how do you think the team responded? The members who carried the most extensive responsibilities – the pillars of the business – stuck by with the founders. We did not witness a single exit in the management team. Though smaller, the workplace was revitalised by the energy of the team members, lifting it off the ground. There was no magic. Those words alone did not help thread the team together. It was also because of the actions they saw the founders take, the treatment that their laid-off peers received, and the self-belief that they were a bunch of doers who can take a few blows.

The Paradox of Commanding Respect

Tim Sanders, author of the book, *The Likeability Factor*, wrote about the times in one's career, when one has to choose between being 'liked' and being 'respected'. He argued, "*When your colleagues like you, you have a better chance of getting heard. You are assigned special projects that interest you. People go above and beyond for you because of the social capital you build to get what you want from others. And this often comes at the cost of being not respected.*"

For example, leaders who want to be 'liked' tend to try and please everyone, make promises that they can't keep, withhold strong opinions to themselves, or use information as leverage (either conceal or give it away). Such leaders who yearn to be liked generally focus on people's feelings rather than about the outcomes of the company at large, either by assigning tasks to people based on what they'll enjoy (instead of what could challenge and stretch them) or playing favourites while pretending otherwise.

On the contrary, leaders who recognise the importance of being 'respected' – putting being 'liked' secondary – are more inclined to be brutally honest in their views, even if the practice is unpopular. They explain the thinking behind their difficult decisions and be consistent and fair in setting rules and expectations. Such people are ready to apologise when they commit errors and give credit to others where due. And most importantly, model the behaviour that they expect from others. It is often difficult to sacrifice what it takes to be respected for the quicker, and often easier, feeling of being liked.

As a CEO, you must choose between wanting to build a team of yes-men around you and having brutally honest people who can present their opposing thoughts to improve the outcomes of any strategy. Your behaviour and actions set the tone for others at the workplace, and it is not difficult to understand. Tim asserts that upon being 'real' in your actions, people will want to reassure themselves that you can walk the talk. He explained, *"When you establish a high level of realness with other people, you're as solid as a brick house. But each time people perceive that you aren't being true, they mentally take a brick out of your foundation, and you become less sturdy in their eyes. Eventually, if they remove enough bricks, their perception of your realness as a leader crumbles."*

To maintain that foundation as a leader, watch out for exaggeration in your statements and claims that you may not be able to fulfil, or the actions that consequently favour a few. Leaders must be fiercely honest in confronting their shortcomings to witness the team following the bar set high.

Margaret Thatcher, former Prime Minister of the United Kingdom, once remarked, *"If you just set out to be liked, you would be* *prepared to compromise on anything at any time, and you would achieve nothing.”*

Showing Character beyond Tough Times

Christine Porah, an Associate Professor of Management at the McDonough School of Business, revealed the findings from her research on the effects of incivility and disrespect at the workplace in her book, *Mastering Civility*. She illustrated how incivility gets ingrained in our regular actions, including something as trifling as texting in meetings or as significant as belittling someone.

Her research on alumni of business schools working in different organizations showed that when bosses made insulting statements such as, *‘That's kindergartner's work’* or unnecessarily criticised or tore up an employee's work in front of the entire team, such incivility made people less motivated. She highlighted, *"The impact of disrespect in a workplace is huge – 66% of the employees cut back respective work efforts, 80% lost time worrying about what happened, and 12% consequently left their jobs."*

In another discussion, Christine narrated an incident about a doctor who was never respectful towards his medical staff. She narrated, *"My friend, Steve, a physician, told me about a time when a doctor shouted at the top of his voice at a medical team. Right after the interaction, the doctor’s team gave a wrong dosage of medication to one of his patients. Although the information was right there on the chart, somehow everyone on the team missed it."* They lacked the awareness to take the visibly available information into account. She added, *"Simple mistake, right? Well, that patient died."*

She discussed why we still witness incivility at the workplace despite its proven negative effects. The number one reason, she observed, is stress among the leaders. Most of the organization's senior management members are continuously overwhelmed by the pressures looming over their heads. And it naturally bursts in the form of inappreciable behaviour towards the staff. While I could comprehend such reason, I was baffled by the second reason that her findings revealed. She cited, *"The next reason I found was that bosses are sceptical about appearing [too] nice in front of their teammates. Being highly considerate or civil makes people believe that they'll appear less leader-like."* In other words, certain leaders carry the notion that being friendly and respectful to their staff would hurt their leadership status, whereas being abrasive and insensitive would make them command respect.

For CEOs who desire to bring out the best performance from each of their staff, it would hurt to find the absence of respect. What they might be missing is that respect is a reciprocated trait. It cannot be received if not offered. While researching over 20,000 employees worldwide, Christine found the answer to the question – *'what do employees seek from their bosses?'*

She answered, *"Respect. Being treated with respect was more important than recognition and appreciation, useful feedback, and even opportunities for learning. Those who felt respected were healthier, more focused, more likely to stay with their organization, and far more engaged."*

So, how does a CEO go about lifting people and making them feel respected? As it turns out, it doesn't require a massive shift. Small things can make a big difference. Simple actions such as sharing credit, listening attentively, asking questions humbly, acknowledging others, and even smiling, have an impact.

Asking the right question to yourself – '*what kind of a leader do I want to be?*' – can make all the difference between a healthy or dejected work environment. Civility lifts people. Leaders can drive people naturally to give more and function at their best if they are respectful and civil. The opposite robs their potential. Either you lift people by offering respect and making them feel heard, thereby enjoying the reciprocating effect on your leadership, or you hold people down by making them feel small and excluded, and thereby evaporating your chance of winning their loyalty in your tougher times.

Who you choose to be, means everything.

CHAPTER 9

Hiring and Training

Hiring Philosophy

At a TED Talk in 2015, Regina Hartley, a human resources expert with a tenure of twenty-five years at UPS, the American multinational package delivery and supply-chain management company, shared her experience of hiring professionals who don't always look good on paper but prove just the one needed for the organization. She presented her case, which strongly resonates with many entrepreneurs.

"Your company launches a search for an open position. The applications start rolling in, and the qualified candidates are identified. Now the choosing begins. Person A: a graduate from an Ivy League with a 4.0 GPA, a flawless resume, and great recommendations. All the right stuff. Then Person B: a graduate from a state school, a fair amount of job-hopping, and odd jobs such as cashier and singing waitress. But remember – both are qualified. So I ask you: whom would you pick?"

She termed Person A as a 'Silver Spoon', the one who clearly had advantages and was destined for success, and Person B as a

'Scrapper', the one who had to fight against tremendous odds to get to the same point.

She added, *"A person's resume tells a story. Over the years, I've learned something about people whose experiences read like a patchwork quilt. It makes me stop and fully consider them before tossing their resumes away. A series of odd jobs may indicate inconsistency, lack of focus, and unpredictability. Or it may signal a committed struggle against obstacles. At the very least, the Scrapper deserves an interview. To be clear, I don't hold anything against the Silver Spoon; getting into and graduating from an elite university takes a lot of hard work and sacrifice. But if your whole life has been engineered towards success, how will you handle the tough times? One person I hired felt that because he had attended an elite university, certain assignments stood beneath him, such as temporarily doing manual labor to understand an operation better. Eventually, he quit.*

But on the flip side, what happens when your whole life is destined for failure, and you actually succeed?

Take this resume. This guy's parents gave him up for adoption. He never finished college. He hopped quite a few jobs, went on a sojourn to India for a year, and had dyslexia. Would you hire this guy? His name is Steve Jobs."

Regina explained that the Scrappers might prove to be the diamonds which reeled under high pressure. They have embraced their trauma and hardships as key elements and know that they might not have developed the muscle and grit to taste success without those experiences. Scrappers are propelled by the belief that the only person you have full control over is yourself. Scrappers are tuned to introspect when things do not turn out well and to ask – '*What can I do differently to create a better result?*' Their sense of purpose prevents them from giving up on themselves, perhaps having survived poverty, crazy parents or upbringing, and even several muggings. And when placed in a start-up environment, faced with business challenges, Scrappers may prove to be the right fit for the much-needed hustle – a piece of cake for them.

It is hard to imagine a thriving start-up without a passionate team of smart individuals running it. At GrabOnRent, with a consistent uptick in the number of orders and a tremendous degree of ground to cover, the hiring seldom ceased. The co-founders deliberated on the attributes we must seek in the people we bring on-board. Of those top attributes, which made the cut among the rest, was recruiting Scrappers – street-smart people. We didn't confuse education with smartness and always preferred people who could strive to find their way in hacking problems. An early-stage start-up environment demands that the workforce step out of their comfort zones and stay undeterred by what they do not know already – an inherent passion for learning.

Besides, another non-negotiable attribute that we yearned for in the early workforce was ambition. We were convinced that the people who carry audacious personal goals are self-driven and are not worried about climbing the corporate ladder. It is reflected, among other ways, by how they perceive remuneration. The ones who are money-smart, or understand that salaries are insufficient to make them rich, appear inquisitive about opportunities. And thus, they take a bolder bet, such as opting for ESOPs (employee stock ownership plan). It also serves as a way to determine whether an individual believes in the company's vision. Such people are likely to stick around when times get tougher for the company. Isn't that what a CEO wants?

While scaling the team size from 5 to 150 in eighteen months, we learned the distinctions between building a workforce for the early stage of a start-up and its growth stage.

EARLY STAGE	**GROWTH STAGE**
Someone who is a Scrapper; passion over past experiences	Someone who had been a Scrapper or a Silver Spoon; the experience is crucial in accelerating the start-up on its roadmap
Someone who is committed to learning and implementing	Someone who is committed to lead the team towards better results
Someone who can build systems for getting the work done	Someone who can refine the existing systems and build them for scale
Someone young, with least personal liabilities	Someone who is experienced and displays a promise of stability because of the liabilities
Someone who can swing along with the team to set newer boundaries; self-learner	Someone who can further build & inspire teams who outperform
Someone who takes responsibility & ownership	Someone who takes responsibility & ownership

The last attribute never changes, regardless of the stage of the business. Leaders do not micromanage. Instead, they let their teammates assume authority over actions. Consequently, they expect their teammates to reciprocate trust in the form of total ownership.

Another trait that I found common among successful entrepreneurs is that they surround themselves with smarter and more knowledgeable people than themselves. They relay this practice of recruiting to their existing teams. Bringing in the best people eventually benefits everyone because those people help build a more impactful and valuable company in the long run.

Training Philosophy

Zappos is an online shoe and clothing retailer based in Las Vegas, US. 'Delivering Wow Through Service' is the e-commerce company's core value. Rob Siefker, Senior Director at Zappos' customer loyalty team, shared this beautiful story about their customer-centric culture.

"Recently, a newly-married couple were packing up their belongings in preparation for moving. The husband packed his wife's jewelry inside one of her purses and packed the purse inside what he thought was a spare Zappos box. The wife, it turns out, intended to return that purse to Zappos using that very box. Which she then does, having no idea that inside the purse now were several thousand dollars of her jewelry!

When the couple arrived at their new home and started to unpack, mayhem broke out as the wife figured out what had happened and why her jewelry was missing. The representative she reached at Zappos decided to reroute the box directly to his desk, but once it arrived, the representative feared for the safety of the valuables if he were to ship them, and thus, he went on to purchase a plane ticket to hand-deliver the package himself. When he arrived, the incredibly grateful couple invited him in for dinner. Now they are customers for life, as you can imagine."

Why do you think the representative was motivated to go the extra mile for the customer? Did Zappos pay its employees more than the industry benchmarks? The company's culture ingrained the 'customer-first' thinking among its employees through regular training. The above story is one of the hundreds that illustrates the compounding effect of well-designed training programs for employees to think and act, inspired by the cultural frameworks set by the management. While it is easy to imagine that an employee must perform in adherence to the management's expectations, the hard part is to imbibe that in every act.

Most start-ups devise and track their recruitment process to adjudge the number of fittest people they hire. Upon joining, during their initial days in the organization, HR shares the company's history, its mission, and core values – popularly known as induction presentation. Next, a senior manager would detail the job role expectations and share the popular practices that have worked for the company. And that's it. The new employees are then left on their own to progress in the organization and importantly, their career. Do you think the company will always remain unidirectional, or an employee's role will stay constant?

If not, whose job is to train the employees for the newer challenges that await them as the company progresses? What happens if the employees do not perform well with time upon the expectations of the management? Would you decide to fire them immediately? The right question to ask is whether they performed poorly despite fully understanding the expectations of the job. Training is not a one-time event like an induction presentation. Training is a constant *process* of bringing out employees' productivity in conjunction with the expectations of the management. In his legendary business book, *High Output Management*, which has become a Silicon Valley staple, Andy Grove, the former chairman and CEO of Intel, shared his perspective.

He said, *"Most managers seem to leave the training to some outsiders or assume that there's no need to train people as they'd figure out on the job. I, on the other hand, strongly believe that a manager should do it himself."*

The team is the most valuable asset, and thus, it is crucial to develop the assets over time. Every start-up CEO expects an employee to be efficient and yet, some consider training a loss of time, which could preferably be used upon performing respective tasks. Andy Grove explained the math behind why the CXOs should not shy away from investing time in training and not regard it as a waste of time.

He said, *"Training is, quite simply, one of the highest-leverage activities a manager can perform. Consider for a moment the possibility of your putting on a series of four lectures for members of your department. Let's count on three hours of preparation for each hour of course time – twelve hours of work in total. Say that you have ten students in your class.*

Next year they will work a total of about twenty thousand hours for your organization. If your training efforts result in a one percent improvement in your subordinates' performance, your company will gain the equivalent of two hundred hours of work as the result of the expenditure of your twelve hours."

At GrabOnRent, the average age of the early workforce was twenty-six years, climbing each year as the company aged. Most of them were quite early in their respective careers. Investing time and energy in training the workforce right from the beginning was just as crucial for the founders as upskilling themselves in newer areas.

Building Knowledge

Just as great CEOs emerge through constant efforts in learning, great managers are built through persistently learning, acquiring skills, and relaying the knowledge to their teammates. At GrabOnRent, teams were regularly encouraged to participate in workshops or attend useful seminars, which would add to their cognitive abilities. We invited people from across domains for the same. Ankit Nagori, ex-Flipkart and currently the co-founder of CureFit, spoke about company-culture and managing customer-experiences; Mayank Bidawatka, ex-RedBus and co-founder at Vokal, talked about scaling the business in a frugal but consistent manner. We ran focussed sessions for our management teams so that they could learn from the experiences of other companies' leaders. The head of Customer Support from BigBasket shared the nuances of setting up a robust support system at his organization, and the head of Customer Experience at Flipkart helped us identify how to create and measure meaningful customer experiences as the business grows.

It was evident that the team members who participated in such training exercises stayed more efficient at their jobs and indulged more than others to self-school themselves when faced with a roadblock, thus boosting their confidence.

Addressing Weaknesses

At a point when we hired a fantastic person to manage the company's marketing outreach, I found him well-versed with the modern-day strategies and execution tools. Later, during one of the group meetings, he confessed that he found it difficult to read a profit and loss statement. And said that if I helped him with it, he would be able to automate discount computation, making a fool-proof way for the company to avoid losses on any of its products. I instinctively understood that this might be a shortcoming for other members in various teams too. Not everyone would have dealt with P&L

statements or interacted with business heads in their previous job roles.

Manish and Nikunj held sessions for the teammates to grasp the economic concepts used in running the business, such as comprehending profit and loss statements, deducing the unit economics of a subscription business, and calculating the subscription prices with a bottom to top approach. And the results were quite obvious! Once they understood these concepts, they were able to relay their learnings to the members who reported to them, without the founders' intervention. The training ensured that whenever a vital topic surfaced, requiring decision-making, no one found themselves alien to those elemental economic concepts.

Bringing Consistency

We held several sessions for our customer support team to train the members on delivering beautiful customer experiences, the way founders had imagined. Though the customer satisfaction scores for the call support shot up for a few days immediately after the training day, we noticed a general slump as the days passed. It was an alarm. It substantiated that the training was not a one-time job, and I could not expect the team to remember the key points from a presentation forever or to keep enforcing those points consistently. To maintain the satisfaction scores upright, we ought to be consistent in training the customer support workforce.

We set in motion a fortnightly training day. This two-way communication session allowed the founders and managers to communicate with the support workforce about the expectations of building a consistent, enjoyable experience for customers, and simultaneously to learn from them about the company's shortcomings that were spotted from customer feedback. The results were terrific. The company's fundamental policies became clear to each member, and the regular interaction with the founders helped the team to make management-level decisions for most of the customer queries. For instance, support team members evolved to embrace the authority to accept special-case returns, offer partial or full refunds in cases of loss of service, and provide satisfactory solutions where deemed necessary. It helped not only to reduce the confusion within the team, but also to omit the necessity of managers having to conduct every decision.

Blending Intelligence

It is not hard to acknowledge that each team member harvests unique skill and expertise in respective domains. While a few may possess a keen eye for design, some may befriend numbers. A diverse workforce with multifaceted skills is a temple of learnings by itself. For instance, at GrabOnRent, Manish brought the entire supply chain and product sourcing teams at par with his Microsoft Excel skills. Aryaman, the Head of Design, devoted his time to educate engineers and marketers about user experience and communication language. I rehearsed the client pitch-decks and personal introductions with executives in the business development team until they perfected their first impressions.

Such conclaves helped in building an environment of mutual education, trust, and cooperation. They assisted in setting a higher standard for each of us to inherit multi-dimension thinking. Just as B-schools are a breeding ground for inculcating cross-domain knowledge from peers, the workplace became a hub for the team members to cross-skill each other and innovate collectively.

In a recent conversation with one of the staff who had joined as a delivery executive in 2016, and climbed the ranks to become a manager in the logistics team in 2019, I was stunned to know how he regarded his days in the company.

Me: "*How's everyone in your family?*"

Him: "*They are very happy, Shubham. Yesterday, I bought the first car in our family.*"

Me: "*That's wonderful. Which one did you buy?*"

Him: "*Hyundai i20. The one that you drive.*"

Me: "*Woah! that's great. Now we'll need one lesser cab to drive the teammates for the next office party.*"

Him: "*Shubham, compared to my early days at GrabOnRent, today I reflect and see my growth. Not only did I learn how the supply chain works, but I also got a chance to lead a team of twenty-odd members. You guys supported me in acquiring knowledge despite my slow learning ability. Manish and you believed in me throughout the last three years. I'm sure there are more people, lower down the order, who can be great at managing teams, and I'll be happy to train them the same way that you guys trained me.*"

Scaling The Business

CHAPTER 10

Building for Customers

MonkeyBox, a food-tech start-up founded in 2015 by serial entrepreneurs Sanjay Rao and Sandeep Kannambadi, catered healthy vegetarian food to thousands of school children in Bangalore, India. Equipped with state-of-the-art cloud kitchens, the company directly delivered meal-boxes for lunch and snack breaks. It was an interesting opportunity in a large market that comprised millions of school-going kids who could benefit from a convenient service like this; not to forget the relief for their office-going parents who resided in nuclear families and used to fight daily battles wondering what nutritious food to pack for their children.

During a conversation, Sandeep shared what the parents thought about their service and its value proposition. He said, "*We called up many parents within our circle and learned that each of them faced a similar issue. Before seeing off their children in the 7:10 AM bus, they had to get up every day at 6 AM to feed them breakfast and then pack their lunch boxes. Planning and preparing a rolling menu every day was exhausting.*" Sandeep further explained that the problem was not limited to only parents. They had to pack food in the early morning hours to be consumed around noon, and the kids brought half-eaten lunch boxes back home, complaining that the food turned cold and did not taste good. Kids struggled equally with the cold blandness and resorted to consuming tempting fast food from the school canteens. This common problem for both sides presented a brilliant opportunity for MonkeyBox.

In a humble launch, they initially gathered a hundred subscriptions to deliver food at three schools. They hired a chef from a five-star hotel and launched their first kitchen. By early 2017, they scaled the kitchen's capacity with a little over 4,000 subscriptions. Next, MonkeyBox started two more kitchens, raised a handsome pre-Series-A capital from Blume Ventures, and made two acquisitions to bolster their offering: 75-In-A-Box, a corporate food delivery start-up, and RawKing, a juice-maker start-up. Everything seemed to be going well on the surface level.

The team was aware of the preeminent challenge of periodicity in serving food at schools. All school-related services are bound to operate only from June to March. But another unusual behaviour unfolded. Sandeep explained, "*We could not comprehend why the parents were not open to beginning our annual subscriptions in the middle of a year. Most of them wanted to opt-in only from a new calendar year*."

Entrepreneurship is centred around problem-solving, and the MonkeyBox team was no different. To address the challenge, they introduced the shorter, daily and weekly subscriptions to add the utmost flexibility for the parents so that they could choose on which days they'd want to receive food for their kids. The early results were encouraging, as parents found this convenient.

Until this point, the team was focused on the right aspect: building a business for the customers. They acknowledged and tackled the obstacles head-on and adjusted their primary subscription model to suit the need as described by the parents. To cater to a delicate audience of children, they maintained super-hygienic kitchens and kept a diverse menu to avoid monotony. Doing the right things generated generous revenues. The team kept its customers as the focal point of their strategies.

In a sudden turn of events, despite an impressive record, in March 2018, MonkeyBox announced that it was suspending its services. How could a service that thousands of parents and kids loved suddenly roll up?

Sandeep divulged the after-effects of modifying their subscription plans. He explained, "*Though the initial results showed promise, we saw a 30% drop in the active subscribers base, as parents did not find a need to subscribe to year-long plans. As a result, many of them shifted to ordering food daily. The on-demand nature added pressure on us to prepare the right quantities of food to prevent wastage and also be ready to fulfil orders at short notice. The flexibility turned out to be a sinking soil.*"

Yet, the business had to be kept alive. The team resorted to entering a B2B model, resembling a traditional food catering business. To utilise the kitchen capacity beyond school hours, they signed contracts with schools to cater to 2,500 students, providing them with breakfast, lunch, evening snacks, and dinner. The plan sounded promising – more business with better utilisation of kitchens.

But as it turned out, the strategy was merely promising on paper, and far from reality. Sanjay recollected the problem in an interview with Ken. He explained that the lower pricing per meal-box for corporate orders squeezed their margins down, and unlike a B2C business, where the customers paid upfront, the B2B model worked on a sixty-days credit cycle. "*Working capital became the biggest challenge. We had to hire additional staff to serve food in schools, increasing* *our overhead costs, and spoiling the unit economics. We were losing INR 50 per day per child, and in just one month of running the B2B model, the business bled INR 30 Lacs.*"

The steps to increase the business size carried a deeper substance; the necessity to achieve VC-expected hypergrowth. Given the traction that it had garnered riding on the modest fundraise, it appeared an opportune time to hit the acceleration peddle and reach a point where a follow-on funding could be raised.

This meant expanding, adding kitchens, and hiring faster.

Sanjay told Ken, "*In June 2017, we were at 30 people. In just two months, by August, we were at 250. The new hires included folks from the top hospitality institutions – ITC Gardenia and JW Marriott. The salary bill alone was INR 60 Lacs per month.*" In no time, the company was running five kitchens in Bangalore. Clubbing the cost of salaries with a capital expenditure of INR 1.2 Crores per kitchen, it was a long shot in the dark. The founders spoke to multiple VCs and assumed that the next round of funding was round the corner. Even before a term sheet, they continued to believe that their hockey stick traction would soon land them another large cheque.

The market dynamics were changing rapidly, though. More notable food-delivery companies such as Swiggy and Zomato were turning their heads towards cloud kitchens to bolster their profits. Sandeep claimed that certain investors were scared to invest in competing businesses, and opted to pass the investment opportunity, swinging along with the larger players.

Eventually, the VCs never showed up with the money. "*After that, we were left with a bloated cost structure and very little money in the bank,*" recollected Sanjay.

Fundraise Paradox

MonkeyBox hit a *Fundraise Paradox*. To attract the next round of funding, they chased a blitzkrieg growth and sadly lost track by overspending before securing the next cheque – a story echoed by most start-ups that fail to raise subsequent funds and unfortunately die of cash-crunch. The alternative was to remain frugal by focusing on profitability while satisfying their instinct with mild growth. Paradoxically, in both cases, a promoter ends up scaring the investors. A VC does not scout hundreds of proposals just to invest in slow growth start-ups, as the promise of making returns gets subsided. And yet, most of them stay away from companies who bleed cash and depend upon further external funding to sustain the achieved growth.

Toby Thomas, CEO of EnSite Solutions, explained the phenomenon with his favourite analogy: a man riding a lion. Thomas exclaimed, “*People look at a CEO and think, this guy's really got it together! He's brave! And the man riding the lion thinks, how the hell did I get on a lion, and how do I keep from getting eaten?*”

Relying on VC money to run has become an innate feature for most of the start-ups. And to score those funds, founders tread elaborate paths to impress VCs with their performance metrics. At times, the process sways the founders from their original goal of building the business with focus on the customers.

Founders invest excessive time on hunting for investors and following their advice. Manish Taneja, CEO at Purplle, a digital beauty company, believes that, more often than not, the founders create this paradox for themselves. He pointed, "*The underlying fact is that it's your company. Investors will co-ride for five to seven years, whereas* *you have to drive all the way for another twenty. Their interest will always stand for a shorter term than yours."*

He asserted that founders must follow what they think is in the company's best interest and not chase an investor's dream. It might derail the goals for the worse. If founders believe that it's right for the company to scale today, then they should work towards it. If they find the need to reflect and focus on profitability, so be it. Manish does not appreciate how entrepreneurs consider raising funds the most important job and end up following the advice from investors who wrote the check. He added, *"No private equity investor, let alone the venture capitalists, want the promoters to run a profitable yet a slow-growth business. Profitability is good for telling the media. When it comes to your board meetings, they would say — let us grow a little more; it doesn't matter if we have to spend another INR 10 Crore to get there. Because the multiplier to the valuation alone defines their success as a business."*

And this is dangerous for young founders. Cultivating a mindset of spending more and more money to achieve higher business growth is not a universally correct strategy. Founders have the best idea about the ecosystem and therefore, should be the ones calling the shots.

Consider YourDost, for example. It's an online counselling platform to connect people with psychologists and counsellors for guidance in personal, professional, and academic matters. In a country such as India, where acknowledging or discussing mental wellness has long been considered a taboo, can we expect the potential help-seekers to come out of their cocoons despite making the counselling free? The centuries-old social stigma is significantly more powerful, keeping most prospective help-seekers from adopting such a service. Now, what would happen if investors of

YourDost asked the founders to achieve a 50% growth month on month?

Richa Singh, CEO at YourDost, explained it beautifully when she said, "*We were clear from the early stages of raising funds that our business will not chart an exponential growth trajectory. Considering the nature of this domain, it would rather take time and just pumping in the marketing dollars would not bring in a lot of growth. We weren't operating in a huge segment that already existed offline and needed digitisation. We were creating a new sector by bringing people out of their comfort zones to share their mental states with professionals. Thus, we partnered with investors who were patient and didn't want us to fly high from inception.*"

It is imperative for entrepreneurs to decide their business strategies consciously, and not rely solely upon the advice from existing investors. A fellow entrepreneur once advised me, "*It is easy to identify investors who are armchair activists, pushing the founders for their own interests. After all, it is convenient for us humans to criticise the Indian Army's defence-strategy in Siachen while sipping a beer in Mumbai.*"

Well, the paradox may be real, but the founder needs to be pragmatic in their approach by disidentifying themselves from the biases spurred by the superfluous advice they constantly get from the ecosystem. After all, you build a business for your customers, not investors.

CHAPTER 11

Global Efficiency and Local Maxima

After closing the Series-A funding in January 2018, we were on track to script arguably the most successful year for the business. Once the funds hit the bank, it became imminent to demonstrate our mettle and prove that investors were right in placing their bet on us.

A few months later, the DART (Debt and Asset Recovery Team), responsible for recovering overdue payments from delinquent subscribers, reported a case. A product renting business such as ours was typically different from other e-commerce businesses. We collected personal identification and address proof documents from customers to conduct a KYC (Know-Your-Customer) verification. In those days, we used to collect images of such documents from customers clicked via phone cameras. A designated team would upload the documents, received via emails, onto a Google Drive folder. After the verification was completed successfully, another member would update the verification status on a particular spreadsheet, signalling the operations team to begin processing the order. And then, finally, the operations team would upload the collected documents into the company's limited-function dashboard, against the customer's account for future records. Each verification document passed through three different stages.

One afternoon, a member from DART reported that a particular customer, who had rented an electronics package worth more than INR 65,000 for 24 months and had provided his rental agreement as proof of address, stopped responding to our payment collection calls. Next, assuming that he forgot to update us, we sent a field-agent to his address to check whether his contact details had changed. Shockingly, we learned that he had vacated the apartment four months ago.

We frantically pulled out the copy of his rental agreement and noticed that it had expired exactly four months back. I noticed a teammate laughing sheepishly in the background. When I asked what was so funny about this, the teammate replied, "*He's just one customer that we have identified now. We have 16,000 live subscribers on our platform, and we add another 2,000 every month. God save us!*"

Such is a risk that one carries in the early stages of business by relying upon hacks. It is wise to realise the fine line beyond which taking risks is not worth the reward anymore and consider investing in technology and automation. The beauty of technology is that it allows allocating lesser manpower in repetitive tasks, especially during the growth stages. Microsoft Excel & Google Sheets were our best friends until the early stages. We used them to track inventory, schedule dispatches, map reverse pickups, and render service requests – everything, in a nutshell. Later, we migrated a majority of the manual operations from those sheets to an automated dashboard, which we called 'admin'. In addition to reducing the manual errors, it increased the productivity for DART, warehouse teams, and delivery coordinators manifold. Even as we doubled our customer base, we saw a mere 25% jump in the workforce headcount. Visibly, each operations team became more efficient.

While studying over 3,200 start-ups, the Start-up Genome Team, a policy advisory and research firm based out of San Francisco, US, derived that nearly 74% of them scaled prematurely. They even referred to the findings to explain up to 90% of failed start-ups. This brought me to the realisation that while it is essential to grow a business, it is even more important to know how and when. Scaling up can prove to be a make-or-break moment for a company. If you scale it too quickly or recklessly, you'll create a host of organizational problems that will be hard to undo. Premature scaling may even cause your business to fail. However, if you scale too slowly, you'll miss out on key opportunities that come with more considerable resources and revenues.

While scaling GrabOnRent, and during conversations with the CEOs of other growth-stage start-ups, I learned about a common set of apprehensions that everyone tackled head-on. Though we can never predict every obstacle waiting to kill the business, we can certainly be better prepared.

CEOs rely upon direct customer feedback

It is easy to wander away from aligning product offerings with the real customer needs during growth phases of a start-up because a set of preconceived notions, derived from early traction, clouds its importance. Successful CEOs are always obsessed with direct customer feedbacks throughout the lifecycles of their businesses. They desperately need to know why customers buy their products, and what motivates them – pricing, convenience, or selection. But this is half the work done. Just as important it is to decipher the motivations of the 2% visitors who transact (conversion rate in 'a visitor to a customer' funnel), it is to learn why the other 98%

customers did not. Without asking the question, *'what's wrong with our services?'*, it is impossible to address the areas that need serious attention.

At GrabOnRent, we conducted 'Customer Happiness Drives'. We divided the team into groups of two and assigned ten to twelve customers to each group. Each group then visited the assigned customers at their houses, interacted with them, and asked a set of questions to understand their initial motivation to choose our service, their experience in using our services throughout the subscription period, and why they had (or not) placed a subsequent order with us. The groups then shared their respective customers' stories – all of them. While we could devise newer ideas to engage digitally with our customers as a result of the visits, it was thrilling for our customers to meet the representatives, with whom they had spoken only over the phone — a first for most customers.

During one of my discussions, Ankit Nagori emphasized the importance of regular feedback from team members. He said, "*When we launched EatFit, the food category, the first adopters of the service were our teammates. They used to order food for breakfast and lunch and debated the portion sizes, the inconsistent taste, or service standards. It was a spiral loop to test, gain feedback, and eventually improve our service standards for other customers. It was super quick and useful.*"

CEOs test and then adapt to marketing channels

How can a business scale if no one knows about it? While the best prescription is to spend zero marketing dollars to attract customers, CEOs tend to experiment with various online and offline marketing channels. Many of those might fail to deliver results, but some are useful at creating brand attention, and a few lead to transactions. Studying the results from various channels helps analyse the ones that yielded the highest ROI and others that ignited brand conversations. During geographical expansions of business, the tested channels form a reliable playbook, omitting unwanted surprises.

When Mayank headed the marketing vertical for RedBus, they were in the middle of devising customer acquisition strategies across geographies. He was surprised to see customers using different booking methods in various cities, and hence adapted to the needs and behaviour of the target audiences. He recollected, *"Since Mumbai, Delhi, and Ahmedabad had a strong supply and connectivity of buses, we used to get a large number of customer calls to bargain prices and book tickets. Unavoidably, we ran a call-centre to support offline bookings and advertised the calling number. At the same time, 95% of bookings in Chennai, Bangalore, and Hyderabad converted through our online platforms. There, focussing on the online marketing platforms was sufficient."*

A resourceful and excessively banked-upon channel, content marketing, has become the most sought-after growth-hack method. It carries the potential to relay a brand message like fire, but only if applied correctly. And how often do we see start-ups riding the wave of the viral content?

Malcolm Gladwell, in his New York Times bestseller, *The Tipping Point*, explained his research. He proposed three laws that contribute to making a message or a trend spread like an epidemic. The first is the 'Law of the Few', which defines the kind of people who are critical in disseminating information. The law entails three types; the Connectors, who bring people together, facilitating cross-functional information flow, the Mavens, teacher-like figures who take an interest in what they learned or liked and educate others, and the Salespersons, who persuade others to follow what they find interesting. The second law is the 'Stickiness Factor' that speaks about the elements of a message that makes an audience to pause, make a note, and subsequently act upon the actionable. The third is the 'Law of Context' that considers how the environmental settings, under which Connectors, Mavens, or Salespersons relay a message or information, could enhance the Stickiness Factor.

We witness success stories of viral content when the businesses manage to produce the right mix of these laws. The companies most likely to achieve the tipping point in their messaging to customers are those who follow an iterative marketing approach by experimenting and learning, and then tweaking everything; the communication, context, and mediums to relay the message stronger and wider.

CEOs press for Process Automation

As the size of a team grows, the boundaries for an individual's accountability starts to diminish. In a smaller company of, say, five members, all members can openly contribute to multiple areas. Interdependent decisions can be made quickly by getting into a room. But as the business scales, especially with offices spread over a wider geography, decision-making tends to become complicated. By this time, the start-ups tend to define clear roles and distribute authorities among co-founders based on their key strengths. They indulge in building communication processes for members of the operations, sales, and engineering verticals across locations.

A crucial step at GrabOnRent for maintaining clear accountabilities for each member during the growth stage was to build an organizational-design chart based on various functions, with the understanding that the design would need constant modification as the team structures and intercommunication became complicated. And who were the best people to build it? The ones who used to communicate in an ad-hoc manner to date. The challenging part was to determine what we were trying to optimize.

To begin with, we broke it down: what needs to be communicated on a daily, weekly, and monthly basis, prioritising the communication that led to business-shaping decisions.

After that, we identified the communication tasks that we did not optimise, and how they would be handled. Ben Horowitz explained, *"The first rule of Organization Design is that all organizational designs are bad. With any design, you will optimize for some parts of the organization at the expense of a few others. For example, if you put product management in the engineering organization, you'll optimize communication for engineering and product management at the expense of marketing and product management. So your goal is to choose the least of all evils and evolve as things become large and complex."*

CEOs use Design & Technology as accelerators.

In our quest to scale the business, we hired a bunch of highly motivated designers and engineers to build consumer and workforce-facing systems. As a student of design, I was almost always obsessed with making our platforms impeccable at user experience. Along with the team, I used to dive into various consumer-facing systems. We remoulded the navigation and performance of the website, re-designed and re-wrote the code for mobile applications on react.js, developed product features to ease the customer-call volumes on the tele-support team and optimized the communication process for delivery fleet management. Meanwhile, it was encouraging to see how the managers were deeply involved in building the system that faced the workforce: the admin-dashboard, consisting of order lifecycle management, necessary to omit human efforts in all human-intensive operations.

While preparing to scale faster, we ran large-scale user research. Teams interviewed users to understand their inspirations to discover our platforms, browse through the selection, and eventually make a transaction. During various interactions, I found that, for many managers, conducting user research symbolised cleaning up the garage. Though they knew it would be useful and bring some real benefits, they never quite got around it. For others, user research was something that happened, but only occasionally, such as before beginning a big project. Then there were those who carried some user research frequently but used limited research methods that they were familiar with. Obviously, some user research is better than none. But if you are serious about creating a great product that satisfies your users' goals and delivers a fantastic user experience, then investing in user research is paramount to its success. It helps you understand how people perform tasks and achieve goals that are important to them. It provides context and perspective, and puts you in a position to respond with useful, simplified, and productive design solutions.

As Arin Bowmick, the Vice President and the Chief Design Officer at IBM puts it, "*User research focuses on understanding user expectations, behaviours, needs, and motivations through methodical, investigative approaches. Insights are then used to ensure that all product design decisions do benefit the user. It helps us identify unarticulated needs and fill in gaps in our knowledge about our users, the context of use, challenges, and opportunities. It also helps us align our product and business strategy with our users' core needs and goals.*"

While analysing the results, we understood what the old saying actually meant – '*you are not your user*'. We identified and addressed our own biases, which could otherwise have been detrimental to the success of product adoption.

We assigned individuals to dig into the reasons why our subscribers dialled our tele-support number. We wanted to reduce the call volumes and thus, tackled those reasons head-on. We created a product (mobile and web) features for the subscribers to perform straightforward tasks by themselves, such as extending their subscription duration, returning products, and raising a request for product service. It was visibly a product transformation that any start-up would yearn to witness during their growth. And the results were in front of us: improved page speeds, lower transaction times, reduced call volumes, and a higher customer satisfaction score. And it was a result of investing time in understanding our consumers' behaviour and investing in technology. The orchestration of the designers and engineers was the most satisfying experience for a product-obsessed person that I am. This phase was instrumental in transforming from gut-based practices to research-based, putting a full stop on violating code quality or design processes for the better.

CEOs think quick, adapt quicker

At GrabOnRent, we conceived that the quality of products that we had been renting needed serious attention. While interacting with our customers, we learned that most of them did not focus on the newness of a product as long as it served the desired purpose. For example, a two-year-old bed was not poorer than a six-month-old one. But the real question was whether we were able to delight the customer with both types. Despite a timely delivery and a clear line of communication, the product would always remain fundamental; a customer would use it for the next 3 to 24 months.

Until that time, we invested in screening products at multiple levels – while onboarding vendors who operated brick and mortar stores and shortlisting their inventory, then at the time of listing those on the platform, and finally just before loading them in the trucks for delivery. There existed an inherent risk: if the product somehow passed the listing process but failed at the time of quality-check, just before a scheduled delivery, for some reason, we'd disappoint the customer. It would either lead to a delay in product delivery or change in the product altogether, making it an inconsistent experience. Besides, it was a painful and expensive affair. It was time that we figured a smarter alternative – sourcing brand new products.

Sourcing brand-new products demanded that the existing marketplace vendors invest capital. Over the next few weeks, we pushed various vendors to do that. We patiently explained the returns they would generate on each product, minting a handsome return on investment. The results? Sheer disappointment. We could only nudge two vendors to purchase mere 50 refrigerators and 100 beds. Our customers would rent such quantities within a week.

We devised a long-term strategy and shifted from a highly resistant marketplace to a managed-inventory model. We planned to raise debt from private and institutional lenders to purchase branded products and set higher customer experience standards. Nikunj and Manish developed the financial model to convince lenders. Eventually, we managed to crack the first deal with a private lender in Bangalore, who invested INR 10 Lacs (equivalent to a 100 refrigerators). The customers loved it. Logically, we charged a premium on these brand-new products for the privilege of being a first-hand user. And the customers obliged. It was a welcome change in the sourcing model that allowed us to scale more freely and quickly. We partnered with certain leading brands in consumer electronics to source home appliances such as refrigerators, washing machines, microwaves, and televisions.

In parallel, we set up a team to focus on furniture manufacturing hubs, which could supply solid wood and particle-board furniture. The team travelled across Rajasthan, Maharashtra, Uttar Pradesh, and Karnataka to understand the local production skills and the scale of these hubs. We were taken aback by their enthusiasm and craftsmanship. These micro-entrepreneurs were not just manufacturing tons of furniture but were innovating at various levels – the design, quality of wood, finishing material, and durability. We decided to shift our supply focus to factory-first. Our team spent days with the craftsmen to develop designs that were economical, sturdy and appealing to the youth. These manufacturers overshot our expectations and supported us with buying crores worth of furniture in no-time. Certain manufacturers established dedicated units to support our required volumes, generating direct jobs. Over the next 18 months, we sourced massive quantities of inventory across categories and built some everlasting relations.

Local Maxima

While we were building and breaking things at a rapid pace, the rate of progress seemed almost flat at times. Initially, I had no clue about the possible reasons. I wondered whether it was because of a dip in the teams' efficiency or because we juggled too many goals. I resolved to spend time with teams to dig deeper into the possible reasons. And then it struck me – there were certain teams in which an increase in efficiency or rate of production of work doesn't reflect beyond a point. What helped was an increase in the number of people working on the projects. That's what I call hitting a *local maxima* of a team's performance.

Let's take an example from GrabOnRent, where three members in our marketing team were responsible for content marketing, social media outreach, and paid marketing, respectively. Now, these tasks seldom allow any breathing time, especially during the growth stages.

The Content Marketer must tie-up with various agencies to increase outreach on third-party platforms via barter or paid partnerships, onboard influencers, devise ideas for campaigns' collaterals such as videos and graphics, generate content for blogs, Quora, and Medium, and write e-mail and SMS content for customer communication and promotions.

The Social Media Marketer must prepare the campaigns for various digital platforms such as Facebook, Twitter, and Instagram, interact with the graphics design team to build the corresponding collateral, publish posts, run engaging contests, and optimise budgets on campaign promotions.

The Paid Marketer must relentlessly place and monitor bids on Facebook and Google AdWords, coordinate with third-party agencies which assisted in buying digital properties for advertising and suggest the modifications as deemed fit to the content marketer to improve the transactions.

By now, you must have noticed that these three marketers were mostly constrained by their routine tasks. Who do you think would liaison with the technology team to improve the page speeds that affect transactions? Who would coordinate with the design team to improve navigation efficiency on apps and websites? Who would work towards enhancing the transactional funnel? Who would define customer journeys and trigger personalised messages for higher transactions, repeat purchases, and longer retention? Who would analyse the entire marketing data as a central repository generated from various touch-points, under different products, being managed by different teams?

This is where I realised that a team reaches its maximum output and ceases to produce substantial results. Had the start-up belonged to a product-market-fit (early) stage, where the sustenance of business with minimal resources and finding the potential customer segments were all that mattered, this team would have been sufficient to carry out the limited set of tasks. But as we entered a growth stage, the roles began to encapsulate responsibilities larger than small, individual contributions. It relied heavily upon collaboration and driving newer initiatives.

I learned that an extra pair of hands was the answer to improving the overall team's efficiency. A higher headcount with responsibilities distributed more evenly would allow each of those members to dive deeper into their respective tasks and focus on better outputs. To address the local maxima, I hired a new member to replace one of those current marketers and elevated the replaced one to the position of team manager. He went on to take up more extensive responsibilities of collaborating with other teams, such as the technology team – to work on product-marketing initiates, the sales team – to generate a higher number of daily leads, the operations team – to improve the consumer communication journey, and overlook the entire budget.

While a local maxima could affect the design, technology, and marketing teams, CEOs have preferred to invest in building technology systems to reduce the rate of increase in headcount for operations and support teams. Automation of repetitive processes using technology as an accelerator has been their most effective trick to tackle inefficiencies among teams during the growth stages and beyond.

CHAPTER 12

Stockdale Paradox

In 2018, a particular product-category in home appliances caught our attention – Air Coolers. During our research and based on our experiences of living in Bangalore and Hyderabad, we learned that the average temperatures during summers were consistently rising with every passing year, and so were the search hits on Google for the term 'Air Coolers'. For instance, Bangalore comprised an almost non-existent market for Air Conditioners and Air Coolers until recently. According to Karnataka Electricity Board, despite heavy electrical usage by Air Conditioners, the category contributed to less than 0.17% of the household electricity consumption in Urban Bangalore in 2007, which tipped over to just 2.1% by 2015, as the temperatures had never bothered the residents until then. Similar criteria statistic for a city like Delhi stood at 23.4%. It was an overlooked category, and we plunged into the opportunity to monetise air coolers.

In hindsight, a big picture was developing. We had adequate funds in the bank, steady debt-channels to expand the inventory size, and a world-class team to build robust systems. We were equipped with all the gunpowder needed to aim for growth. And so we did, without looking back. We placed orders for more than 8,000 air coolers with Blue Star and Crompton.

Until then, while running a rental business, we had never noticed brand association as strongly as we did in the case of air coolers. Earlier, the brands for refrigerators – a home appliance sub-category that we offered to our customers on rent – used to range from Godrej, to Samsung, to Whirlpool. We never saw a particularly biased demand for any of those brands. But when it came to air coolers, Blue Star was far better received than Crompton. We were curious to know what was driving the bias. While sourcing products from these two brands, we could conclude that Crompton manufactured higher quality air coolers and offered superior supply and services than Blue Star did. Its team members were always on their toes, never defaulted on supplies, and were always eager to engage for more business. In contrast, Blue Star had just launched its manufacturing unit for air coolers that year. We were perplexed by how a brand whose air coolers had never existed until recently generated such a bias in consumer choice. While listening to a few customer call-recordings, we learned that customers associated Blue Star with air conditioners, and Crompton with fans – their respective top-selling and highly advertised consumer electronics products. And thus, their sentiments were biased towards the brand selling air conditioners, and they perceived the brand to excel at providing 'better cooling' in air coolers.

The summer season embarked on the migration in metropolitan cities, where thousands of graduating students and working professionals would nest. We were thrilled to welcome the season as it unravelled the opportunity to market the new product-category, air coolers, alongside the wide selection already on display. And if we could execute the plan, the projections promised to double the subscriber base within the next three months, and thus, doubling our revenues.

Here's one letter that I wrote to the team while we were at the cusp of summers, reflecting the founders' enthusiasm and detailing why it was essential to maintain supreme customer service.

February 2018
'The chef can be innovative, but the customer makes the final decision.'

A chef at a multicuisine restaurant, named Tamim, was saddened by the lowering footfalls of patrons. The ratings were dropping, and so were the revenues. The restaurant's manager expressed his concerns to the staff. There were gloomy days, and then even gloomier ones. And days came by when not a single customer showed up to dine. It was turning terrible for the business.

Tamim decided to bring a change. He invented a new dish, keeping it from the manager. He served it to the only customer who visited one day without knowing whether his action would prove rewarding. When the customer left, he found the dish uneaten. Disheartened at the effort proving futile, he broke into tears. The next day, he decided to give it another shot. He saw a group of gentlemen stopping by to dine at the restaurant and served a unique Italian dish to impress them. After a few minutes, the customers called for him in the middle of their meal. He was jittering from top to bottom and feared if his initiative had further hampered the restaurant's brand.

The customer exclaimed, "It tastes wonderful and I love it! I would recommend all my friends to try this warm and spicy cuisine at your restaurant. What is this called?" Tamim froze like a deer in headlights. He never imagined hearing such praises. He relished every word of it.

Other chefs learned its recipe, and the manager changed his restaurant's speciality from multi-cuisine to Italian-only. The restaurant celebrated its revival, witnessing more customers than they could house. In the next few months, Tamim made it to the 'India's Top Chef: Hall-of-Fame'.

Your constant passion for offering the best experience defines your business. Let's be that chef who surprises his customers and creates an experience that leaves them in awe. There may be days when people may not praise your work. There may be disagreements in the team. It might have been a long day at work without any colleague appreciating your efforts. Well, that's OK, as long as every customer served by GrabOnRent is delighted. Customers are the boss, and they need to be treated as such.

Let's try to answer this -
Why do we exist – To serve the customers
How do we make money – By customer payments
What do we pitch to our investors – Our customer insights
Why do we spend on marketing – To acquire customers.

If everything is centred around customers, we need to question ourselves – 'Are we giving them the best possible experience? Did today's experience delight the customers for them to turn to forerunners in spreading a good word about us?'

There's no way other than making it an absolute delight.
With the onset of the Summers, the season of highest sales begins at GrabOnRent. We have a mammoth target of serving thousands of flocking migrants in the cities where we operate. It cannot be pulled off without an unshakable determination to excel at Customer Experience. Let's build an experience that will surpass every

customer's expectation and make them feel privileged to use our services. Then we can rest to feel proud of ourselves.
Cheers!

Business Growth

Each individual was charged up throughout the period. From February to May 2018, we demonstrated a monumental growth (refer 'Chart 2' and 'Chart 3'). The Gross Rental Value (rent collected from the subscribers) jumped by 210%, the Revenue (our commissions) by 190%, and the Live-Subscriber Base by 237%. We took over as market leaders in categories such as Appliances, Fitness Equipment, and IT Products.

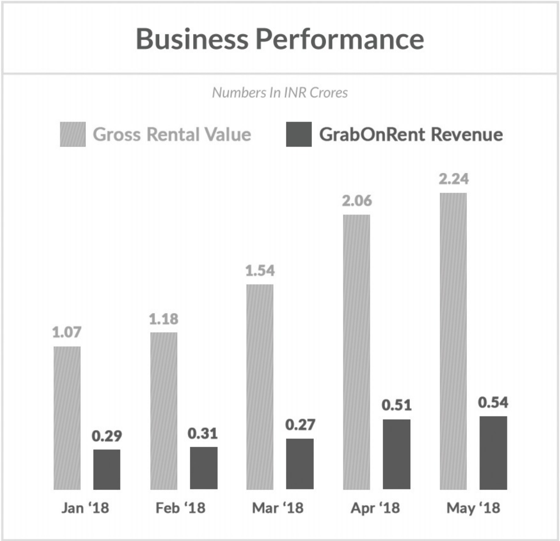

Chart 2 – GrabOnRent's Business Performance from January 2018 to May 2018.

Chart 3 – GrabOnRent's Live Subscribers from January 2018 to May 2018.

The team's enthusiasm was well-earned after their relentless efforts in achieving those statistics. Since air coolers qualified for a short-term rental category, an investment to purchase them was backed by the theory of offering new customers an experience of 'freedom from ownership', and helping them get used to that convenience. We had chalked out the three pillars on which we wanted to establish this growth period – Selection, Repetition, and Retention.

Selection – The variety of products that we offered to the customers. To achieve this goal, we invested in upgrading our inventory. While sourcing products from various factories across India, our teams designed newer, sturdier, and more aesthetically appealing furniture models. As a first in India, we launched *Convertible Furniture* that potentially helped save floor space in compact apartments. We tied up with several consumer-electronics brands to add to the selection on the platform. We launched a variety of fitness products – for customers who always had a reason not to hit the gym – that allowed them to work out at home. The selection over six months grew from ~50 to ~200 unique products.

Repetition – Making a past customer transact again. A happy customer is a loyal customer. Customers who had experienced renting with us were targeted and attracted to make another transaction. We designed drip-campaigns (personalised sequential messaging in a customer's journey while subscribed to a product) to establish a connection with them and push them towards another transaction. In the six months, the repeat rates saw a jump from ~12% to 23%.

Retention – Making the subscribers stick with the services for a longer duration. We placed high importance on holding the subscribers for longer terms, and thus, we invested in technology to reduce human interaction. We targeted making the renting experience so seamless that a subscriber could perform almost every possible task on the app, never having to dial the support number. We offered our customers options of free at-home services for product cleaning and maintenance, free swapping of products, and transferring their rented products and subscriptions to a friend. We hated it when customers returned the products. In the next 6 months, we managed to increase the average retention period from ~9 months to ~14 months.

The rationale behind the growth was clear: leading us right into setting the base for raising the next round of funding. We weren't oblivious that a high growth trajectory would require us to spend tons of money to attract more subscribers and revenue. We believed that VCs love high-growth businesses and tend to invest in those who could continue the same. Unlike Private Equity investors, VCs are a restless species who want 5X to 20X multiplier to their principal investment amount in 5 to 7 years. Thus, we intentionally chased a hockey stick growth path. It was synonymous with acting like this girl, who enjoys the most expensive scotch while sitting at the bar counter, wearing a backless red gown, and attracts everyone around. But here's the catch – she savours a hell expensive drink without enough limit on her credit card. She in fact banks upon some gentleman to approach her and buy her the follow-on drinks and desserts.

And to attract a few men around her, she begins to make a move.

Backed by our astounding performance, I set out to pitch to the VCs less than seven months after the previous financing round to raise INR 60 Crores. I considered – '*Did we stand a solid chance at bagging a deal?*' By more than doubling the revenues and the live subscribers, the business appeared sexier than ever. With annualised revenues of nearly INR 30 Crores, we felt confident. But in the next few months, reality shattered our illusion. Reputed bankers who could efficiently facilitate a deal refused to take up our mandate because they believed that any deal below INR 100 Crores would undermine their earning potential. We were stranded without a renowned banker. Without fretting upon the disappointment, I reached out to nearly 50 Indian & international VCs, strategic investors, and international companies in similar spaces, in an attempt to raise the desired capital. And how did it go? All of them rejected us over three months, leaving me dejected.

I could deduce a few plausible reasons for the business not being appealing enough.

Is the Market Size big enough?

VCs were apprehensive about the existence of two highly-funded competitors who operated at almost three times the scale compared to our business. They expressed doubts about the market being big enough to accommodate three players in the same segment. Due to the industry's novelty and lack of examples of international successes in the US or China in this space, our challenges kept mounting. Most of the start-ups in the US had started close to the time of our inception and were yet to witness gigantic scales themselves.

Who has funded the competitors?

My eyebrows were raised on receiving open feedback from various investors who passed the investment opportunity to prevent locking horns against certain large VCs. Most VCs do not tend to take another deep-pocketed VC's bet head-on. So if a large VC has backed your competitors, it diminishes your chances of bagging a deal from other VCs, as they shy away from competing in similar sectors. The herd mentality is evident across markets – PE, VCs, Stocks, Futures, or Debt. It is easier to react in sync as a herd than being the alpha-wolf.

What will make you the Number 1 player?

It was not entirely their indiscretion. Upon introspecting, we spotted the lack of a definitive plan to become the leading player, given that the unique selling point (USP) of the business was weak. Every business in our sector was trying to crack the right business model. Be it having the correct mix of debt and equity, bringing balance in the selection and pricing, or having a digestible percentage of non-performing assets (NPA). The top three players in the market, including our business, worked on quite similar business models. Thus, we failed to make a lasting impact and let the discussions divert to competition and their investors. The only USP which the similar businesses had successfully built was raising capital, credited to the early mover's advantage and subsequently bagging larger deals before others.

Realisation of the disaster

In 1975, psychologist Ellen Langer, now a professor of psychology at Harvard University, conducted an experiment where participants were given the opportunity to buy a lottery ticket for $1. The participants in the first group were given the option to 'choose' a lottery ticket for themselves, whereas the participants in the second group were simply 'given' one at random. Participants were then asked whether they would consider selling their lottery tickets and, if so, what price they would ask for it. The results showed that the first group, who had ‘chosen’ their tickets, were less willing to sell. And if they were, they demanded a price that was more than 4 times than what those from the second group stated ($9 and $2 respectively). Ellen explained that the participants from the first group were affected by the *Illusion of Control*, and believed that the tickets they had chosen were more valuable and more likely to be winning tickets than those from the group who were given tickets at random.

We, at GrabOnRent, were a classic example of entrepreneurs with the Illusion of Control. We chased a high growth trajectory with the hope of quickly raising another round of financing. It broke when we identified the underlying data – we had spent INR 7 Crores in the first 6 months of 2018, almost two-thirds of the Series-A funds. We expanded the company's operations into Mumbai and Gurgaon when expenses were bound to rise during the summers. We increased the team size from 60 to a whopping 150 in just six months. We shifted to a larger office, which cost four times in rent than the previous one. Services were broadcasted on radio channels, YouTube, hoardings, and newspapers, besides digital properties. To help us manage the widespread campaign, we hired an agency that charged us a whopping INR 20 Lacs! It's true; branding & advertising agencies charge you money to spend your money.

Here's a closer look at the cost inflations.

All numbers are presented in INR

	Average Performance in the Last 6 Months of 2017	**Average Performance in the First 6 Months of 2018**	**Change**
Operating Cost	12,12,478	33,30,721	+ 175%
Gross Profit	14,53,901	7,80,177	– 46%
Marketing Cost	11,25,467	46,22,701	+ 311%
Indirect Cost	37,56,829	74,06,604	+ 97%
Net Profit	(34,28,396)	(1,12,49,127)	– 228%

Quite visibly, the marketing costs went beyond the roof, and the company's total losses increased by a staggering 228%. We realised that in our quest for rapid growth, we overlooked the impact of spending and depleted the cash reserves. Inflation was recorded across all the cost-heads, and it was scary to realise the collective sum. We bled bad.

Not only did we lose focus on spending, but we also missed the fundamentals. For example, one of the right metrics to track when we began advertising should have been the 'jump in acquisition costs', which you measure to understand the efficiency of attracting customers and making them transact on your platforms. We let that slip out of our hands in anticipation of potential repeat customers. It jumped from ~INR 800 to ~INR 2600 (~225% change). But the customer repeat rate did not rise as predicted. We could not scale the technology to meet the rising consumer demand, which burst through the roof. Thus we resorted to hiring more staff in operations teams. We expanded the company's operations to two cities together, Mumbai and Gurgaon, without foresight about what could happen if we did not bag another cheque within 12 months. It was a disappointing case of building a business for investors, and not customers.

Stockdale Paradox

Jim Collins, a bestselling author, popularised the concept of Stockdale Paradox in his book, *Good To Great*. He named it after Admiral James Stockdale, the highest-ranking US Naval Officer in the 'Hanoi Hilton' Prisoner of War camp during the Vietnam War. Stockdale was tortured over twenty times during his eight-year imprisonment from 1965 to 1973 and he lived with no prisoner rights, no set release date, and no certainty of surviving ever to see his family again. Held in the clutches of the grim reality of his hellish world, he found a way to stay alive by embracing the harshness of his situation and with a balance of healthy optimism. Not only did he fight an internal war against the captors and their attempts to use prisoners for their propaganda, but he also did everything that he could to create conditions in the camp to increase the number of surviving prisoners. He instituted an elaborate internal communication system for the prisoners to reduce the sense of isolation that the captors had created. He established rules that would help prisoners mentally deal with torture. After his release, he became the first 3-

star officer in the history of the navy to wear both 'Aviator Wings' and the 'Congressional Medal of Honor'.

Stockdale later explained this idea. "*You must never confuse the faith that you will prevail in the end – which you can never afford to lose – with the discipline to confront the most brutal facts of your current reality, whatever they might be*." In discussion with Jim Collins for the book, Stockdale spoke about how the optimists fared in camp. The dialogue went thus.

Collins asked, *"Who didn't make it out?"*

"Oh, that's easy," Stockdale replied. *"The optimists."*

"The optimists? I don't understand," Collins said, completely confused.

"The optimists. Oh, they were the ones who said, 'We're going to be out by Christmas.' And Christmas would come, and Christmas would go. Then they'd say, 'We're going to be out by Easter.' And Easter would come, and Easter would go. And then Thanksgiving, and then it would be Christmas again. And they died of a broken heart."

The key point from the paradox stuck in my head. It enforced both ideas: I could stay positive by believing in the team's ability to overcome all difficulties, and at the same time, confront the most brutal facts of the current situation.

We weren't in a position to trace a growth trajectory after exhausting the funds and could see no signs of an investor committing to fund the business. We deduced that the only way forward could be to turn the company profitable, albeit limiting its scale. We banked on the possibility of proving that a business in this industry could be profitable at a certain scale and that profitability might open doors for newer funding at a later stage. Such a situation was still far better than where we stood. And thus, we resolved to live and see another day. We changed our strategy from focussing on growth, which was our story throughout the year, to targeting profitability by cutting down every extra flab and running a lean business.

As a consequence, we had to painfully lay-off half the team. Compromising on the growth, the remaining teams survived on limited budgets. We withdrew discounts from all the listed products and slashed the marketing budget by half. We halted the procurement of new inventory and sold a part of it on e-commerce marketplaces to generate profits. Life wasn't easy. But it was imminent that we had to take drastic steps and survive like cockroaches. The change in strategy made sense to our company’s investor, Ivycap Ventures, who invested INR 4 Crores into the business, in October 2018, as a bridge round.

It was a ray of hope, an invaluable life-line offered to us. And we survived.

CHAPTER 13

Darkness is the Absence of Light

In about four months from the INR 4 Crore bridge round investment, we exhausted all the funds. Despite employing numerous efforts, we took a painstakingly long time to cut the flab and align the business towards profitability. We stood in the same position as we had before raising this bridge round, still miles away from the targets. Though we understood the seriousness of the situation, we continuously bled higher than what we had anticipated. Profitability was still a far-fetched dream, while we were still investing nearly INR 60 Lacs per month into the business. The revenues dropped by half and struggled to show any upward curve. There seemed no way to achieve profitability in the coming few months.

A single question gave me sleepless nights – '*Could have we done anything better?*' While raising the bridge round, I knew what we were getting into. It was a challenging task to change the direction of the business from high-growth to profitability. High growth doesn't sync well with frugality, whereas profitability is entirely centred around it. I resolved to attack ten areas of the business, and only if they fell in place could there be a tipping point. The focus areas included higher retention terms for subscribers, higher repeat-rate, lesser human heads with more automation, selling on e-commerce marketplaces, introducing hacks to acquire customers faster and cheaper, and focusing on marketing hacks to bring the acquisition costs to half. We were walking on thin ice. Unfortunately, the results did not stitch together. One after the other, we failed at achieving nearly half of those ten action points. In my mind, I kept playing an endless loop of every mistake that I had made, running in an infinite maze, trying to understand where I could have done better.

The plan to sell furniture and fitness products on e-commerce marketplaces fell flat after the festive month of October. The online retail sales were down to 10% in November 2018, and we could not rely upon such channels to generate profits anymore. The pattern of adding fewer rental subscriptions around the winter months repeated itself, and we witnessed a new low in customer adoption. There was never an acceptable repeat-rate from the thousands of subscribers whom we had acquired for the short-term product rentals – air coolers for summers. The technology systems could not keep pace with the planned process-automation, denting the customer experience. The accelerated growth further amplified debt on the company's books to more than INR 15 Crores. The formidable monthly repayments to those lenders weakened the cash reserves and there seemed no possible way to convince them otherwise.

I resented our situation more than ever.

I was terrified, feeling like a convict on the run. Despite drawing a plan, the inability to yield the desired results crippled me. The plan demanded that we comprehensively achieve numerous interdependent targets, but the domino effect was beyond correction through crisis management. I could not gather the courage to arrange for a board meeting, and in my head, I perpetually churned excuses. I was in a deep mess. And I am sure so were the other co-founders. All of us were stranded in a situation that we had never faced before, looking over limited options, each worse than its predecessor. On one hand, the pressure of being labelled as a failure haunted me. On the other, I battled immense stress, wondering whether it was too early to give up. *'Could we still revive the business from the current position? Is this how easily we'd kneel before fate? Was there one last fight left in each of us?'* – we did not have the answers then.

We had two options at hand.

Wind up the company, liquidate the assets, and repay the current debt liability to the best possible extent, or

Shut operations in all the cities but Bangalore (home city) and penetrate deeper with a minimal cost structure.

Later in the week, we estimated that the cost of shutting operations in all other cities and bringing back the inventory to Bangalore would alone cost the company INR 1.5 Crores – money that we never had. We could neither accept the shutdown without feeling the dent in our pride nor depend upon any miracles. I was guilt-ridden as we failed to keep the business running and made no money for the lenders and the investors who believed in us. Falling into self-loathing for days and almost choosing option one, I rang one of our company's board members who always delivered her point straight-up, Archana Priyadarshini. She made us understand a hard fact.

She explained, *"You cannot let broken emotions drive the course of your business. A promoter should understand that the money invested was a purely business deal and not a favour. I know many initial investments happen based on the founders' face value and not the state of the business – as* *it is yet to be proven. But if the same people are not ready to budge from their initial stance and support the promoter in difficult times, it means they have already gotten over your face value. That is when you need to decide in favour of doing whatever it takes to save your business and worry the least about repaying your lenders."*

During those days, I met one of the two venture capital groups who backed us. On understanding the situation and the limited options at hand, they advised us to shut the company or find a buyer for the business – "*Find a home for the company as you are not able to pull it through independently.*" They had mentally written us off already. We also ascertained that the equity investors wouldn't be bailing us out anymore, and thus, all the hopes hit rock bottom.

I was rumbling under fear. There was no light to guide our path. I couldn't see a sliver of hope. It was getting darker.

We stared at just two months' runway and almost circled down to shutting the shop. I then met the second investor group to appraise them about our choice and get a sign-off nod. We anticipated that their hands would be tight, and that we'd be compelled to implement a winding-up process in all likelihood post this meeting. A little corner of my heart was still hoping to discover some direction. Maybe just enough light to resist the darkness.

Vikram Gupta, Managing Partner at Ivycap, had something like that in mind. He was a sheer optimist when it came to his fund's portfolio companies. I joined him on a short cab ride from one of his meetings at BKC, Mumbai, to his next one, at his office in Powai. Finding it hard to accept that no life remained in the business, he patiently asked us to re-run the fundamental calculations to determine the possibly overlooked costs, which, if brought down, could help us reach the targeted profitability faster. The conversation ran thus.

Vikram (looking into my eyes): "*Your economics makes absolute sense. To sustain, you need something more than cutting the costs*."

Me (developing a frown): "*I ran through all the costs numerous times already*."

Vikram (his eyes wide open, insistent): "*Why don't you attack the biggest outflow from your balance sheet? Find a way to reduce your debt repayments*."

Me: "*I enquired with a few lenders to offer a month's break from repayments until we figured out the next steps*."

Vikram: "*What did they say?*"

Me: "*Citing the strict three-year debt contract, the lenders said that it was impossible for the promoters to pull off, despite support from them. It seems impossible that any of the lenders would budge...*"

Vikram (cutting me short): "*If someone tells me that something is not possible, I put all my energy behind proving that they weren't correct. Get a plan in place and tell them how you'll do it*."

By the time the cab ride ended, I had some crucial thinking to do. I wondered if this was the hope that my heart yearned for. Though, in reality, it would take leaps and bounds to execute it within the available runway, a light appeared at the end of the tunnel. It wasn't dark anymore.

Escaping darkness

I was at the cusp of making a pivotal choice, which would define the future for the business. I was staring at a difficult, yet fighting chance. But at the same time, I was also battling the lost zest to run a crippled business. Two out of the three investors advised against such a choice. It was the risk of deciding against the majority in building a case for a bailout. I feared that good money would be thrown after bad. It was the risk of eventually failing and losing their trust in me.

There weren't right or wrong answers. It was a choice.

Deciding to go along with or against the crowd comes with repercussions. Ben Horowitz explained those in this table:

	You are right	**You are wrong**
You decide against the crowd	Few remember the decision you made, but the company succeeds	Everybody remembers the decision and you are downgraded, cold-shouldered or fired
You decide with the crowd	Everyone who advised you remembers the decision and the company succeeds	You receive the minimum blame for getting it wrong, but the company suffers

CEOs regularly face situations to decide between choosing in favour of and choosing against the popular choice of the board. And it's a lonely feeling when you risk everything for the company to succeed. As a human, you can only connect the dots backwards. Making a choice relies upon available intelligence and the extent of courage. While you will have the best insights about the company's strengths and weaknesses, it'll take immense courage to make an unpopular choice.

Among many of my learnings, while speaking with several CEOs, I noticed that one of the fundamental choices they had made during difficult times was to stand up for what they believed in and not try to please the board. Their actions demonstrated the fundamental stance – the business must succeed. And this is all that mattered. Not all their choices were free of negative connotations, but that never stopped them from choosing whatever was in the best interest of their companies. And the ones who feared making a bad decision most likely ended up accepting a fate dictated by someone else, and reeling under the sorrow of their inability to display courage when it mattered. After a lost battle, it's easier to accept the defeat when you did everything in your limits to command your troops in what you believed was the best path, rather than letting somebody else decide for your troops.

Left with a ray of hope after that discussion with Vikram, we invested energy in building a rescue plan. Over the next three months, with single-minded focus, we approached all the sixteen lenders and explained the situation. We pointed out that 60% of the company's monthly expenditure went towards paying EMIs, which carry exorbitant interest rates compared to the standard market rates. In the early days of the business, we had little choice but to accept the high rates to lift the company off the ground, hoping to refinance the loans later. We pointed out the hole in our house and wanted to stop the futile hunt for one outside. We requested them to lower the interest rates and increase the repayment duration, with an understanding to keep the IRR (internal rate of return) constant. It took ages to negotiate. Gradually, the lenders started agreeing. They could assess the situation through a practical lens that if the business shuts, they may not recover even their principal investments. All but the largest lender agreed for a revised deal. He expressed his apprehensions and refused to negotiate. All the rigorous efforts would sink into the drain if this lender did not accept any revision.

Besides, we needed to stitch together a bridge round with equity investors. Yes, a second bridge within four months. It required each stakeholder to step forward and create an opportunity for the business to revive. Ivycap agreed to invest two-thirds of the asked amount, provided the other investors invested the rest. Unfortunately, Unicorn India wasn't hopeful. They had already reached their maximum exposure towards GrabOnRent, and with very little hope on the restoration of the business, they refused to invest, for the same reason why they did not invest in the previous bridge round either. By the end of those three months, the largest lender and one of the equity investors had refrained from supporting the revised action plan that aimed at a bailout.

Meanwhile, the workplace was not on a song, either. We endured another set of lay-offs to reduce the costs further. The team strength slid from 150 to just 35 in under six months. We shifted into a smaller, not-so-desirable office, which most importantly cost lesser than one-fourth the rent than the previous one. Each promoter voluntarily opted to slice their salaries by a third for an indefinite period. It was agonising to confront the team and explain how we screwed our previous chance to rebuild the company. It was tough to keep the momentum going when we were so confused and faced consecutive roadblocks.

I organized a board meeting to persuade everyone to decide on one of these choices.

Either shut the business by liquidating the assets; here, lenders might recover a percentage of their principal investment, and equity investors would fetch nothing, or

Stitch together a bridge round and target profitability with a discipline; here all parties would have a possible chance to make returns.

The revised plan was not the matter of focus. It was their deficit of trust upon the promoters. Though it is not possible to command trust with mere words, we laid our intent. The promoters were convinced with the strategy and offered to invest personal money, contributing 10% of the round's expected size. The intense discussions left everyone with some thinking to do, ending the call with indecision.

In my final attempt, I wrote a letter to the shareholders, explaining our definitive stance.

> *March 2019*
> *I remember how I was introduced to the concept of undergoing stress for the first time. Imagine putting a potato in boiling water – the inherent hardness of the potato softens. Imagine putting an egg in boiling water – earlier soft from inside, the core of the egg toughens itself. Imagine putting coffee beans in boiling water – they blend with water and create a new aroma. Though each of them faced the same problem – the boiling water – they reacted differently.*
>
> *For the promoters of GrabOnRent, it has been no different. Acknowledging the stress (boiling water) as an integral part of running a business, we signed up for it. The choice we have to make on this journey is whether be a potato, an egg, or coffee beans.*

I presented our collective learnings from the previous few months of operating the business under extreme stress, the efforts we had made in navigating through that, and the foreseeable future. I started by accepting the results of our strategies that had failed – chasing high growth and becoming lenient in spending. I acknowledged the impact of accepting lopsided deals from lenders, and attempting too many things, eventually losing focus on the primary subscription business. And somewhere along the journey, also overcommitting the expected results to the investors.

> *The sole interest of the promoters is to run the business. 'Product rentals' is a real business that has been around for decades in the offline segment, just unorganized. Even if our company does not exist tomorrow, this sector will continue to thrive. A gentleman once advised me, "You need not be Sachin Tendulkar to score a century in a Test match, you just need to bat through the day."*

We shared the new cost structures that we had achieved while congregating a bridge round. Besides, the monthly investment came down by a sizable 76% and the health of the overall business improved by leaps and bounds over the previous year.

	Mar 2018	*Feb 2019*
Gross Margin	*-4%*	*31%*
Contribution Margin	*-234%*	*13%*
Average Rental Duration	*~11 Months*	*~16 Months*
Forward Revenues	*~INR 4 Cr*	*~INR 7 Cr*
Acquisition Cost	*~INR 1200*	*~INR 700*
Order LTV/CAC	*2.7*	*5.4*

The above results prove that the business is here to stay. We just need to find a way to get past the current stress. Thus, we choose to be the coffee beans and take the current situation as an opportunity to turn the business profitable.

I ended the letter by helping them visualize how the stabilization of the business would create a chance to emerge steadier than before.

A few days from then, our persistence came through. Along with the lead-investor, we managed to convince the other two previously hesitant parties to invest in the bridge round.

We were out of the darkness.

Later in the month, I got a chance to meet the second investor, who had initially shown reluctance in investing in the bridge round. Wanting to understand what changed his mind from that stage to eventually deciding to invest, I asked him about it. He explained, *"First, an investment from the founders showed that you believed in the business and weren't only risking investors' money. And second, you were aware of the errors you had committed and were ready to amend those without riding high on dope."*

The phase helped me understand a crucial component of relationships with lenders – the fear of losing money.

Lenders can be persuaded more than what I believed

Lenders offered loans to the company at an average of 28% interest rate per annum when we began financing the inventory through debt in 2016. We were resigned to the realisation that these lenders would entertain no further deductions in interest rates. But I was wrong. Harder times called for harder actions. To build a longer runway, we managed to squeeze moratoriums on EMI payments and reduce interest rates. Lenders who lent at such high-interest rates are mentally prepared for miserable situations, and therefore, negotiations are imminent.

Promoters need not get scared by lenders

In privately held companies, as long promoters hold honest intent, it is hard for a lender to come after the promoters by attaching their personal assets. Thus, the promoters should not worry about being sacked from all directions. Instead, it is the lenders who face the fear of losing their money in the event of a company going down. Honest communications and practical requests to consider cuts in the EMI payments worked wonderfully for us, instead of worrying about their repayments all the time and losing focus on the business.

To tread further, we had left behind a swarm of invaluable workforce and survived with a minimal investment per month. Connecting the dots, I can firmly say that we stuck to our promise and achieved the coveted stability. We survived to see another day.

It's not dark until you accept defeat.

Cracking Venture Capital

CHAPTER 14

First Fundraise

The start-up landscape in India witnessed a wave of optimism in 2013 when 293 start-ups raised above $1.6 Billion. It turned out, the party had just begun. The total fundraise value in 2014 crossed $5 Billion across 300 deals, whereas those in 2015 eclipsed all the previous records and saw a mind-blowing $9 Billion investment across 1,005 start-ups. It seemed to be a joyous period for investors and founders alike.

It was a magnificent sight. Upon successfully raising millions of dollars, the founders were turning into heroes. They demonstrated valour to win. They slogged round the clock, assembled brilliant teams, and worked out of overcrowded co-working spaces to build disruptive businesses. Inspired by such stories, a flood of aspiring entrepreneurs sighted the opportunity and plunged into launching several start-ups. This young and energetic generation presumed to ride upon the liquidity of funds flowing left, right and centre, and eventually were hit with the truth: a colossal change in the ecosystem.

In 2016, Indian start-ups saw only $4 Billion poured into capital funding. YourStory reported that the disclosed funding announcements decreased by 55 percent from 2015, and decreased by 20 percent from 2014. Market conditions didn't appear to remain conducive like the yesteryears. Its continuity turned strenuous because of the nature of losses reported by highly funded companies. Such events made the investors reassess their funding practices and take cautious strides. Several well-funded start-ups such as PepperTap (on-demand grocery), AskMe (classifieds), TinyOwl (food delivery), and Dazo (food delivery) shut shop or merged with other players as raising capital became tough.

Researchers cited the major reason as the failure to build competencies required to reach the next venture capital stage. Though the early traction showed promise, it came with ever-mounting losses and shaky unit economics. The weak defensibility of the products and services never allowed those start-ups to fly ahead of market validation, eventually making them succumb to shutting down.

And who lost their money? Investors who joined the party chasing high returns. Many of them later agreed that valuations were driven artificially in the 2014-15 period. "*People got lured into thinking that they could build companies and ramp up quickly like China. One can't keep discounting and spending on customer acquisition. Valuation markdowns are a reflection of this, and it is a hard lesson,*" said Karthik Reddy, Managing Partner at Blume Ventures, one of the most active seed-stage investors in India.

What is it like to be a founder of an early-stage start-up tackling the winters of funding?

I began the first fundraising hunt for GrabOnRent in September 2015. As an operations-heavy business, it required an early investment. We managed to tame the expenses during the initial months, courtesy the exit from the previous design services start-up. But we knew it would not sail the business beyond the first four months. We needed to raise quickly to support the costs of employees' salaries, logistics services, office rent, and marketing.

The market started to tremble in late 2015 when many start-ups were reported devalued or closed. Despite being swamped by the news, we readily reached out to scores of investors. It didn't turn out the way that we had expected, and we received lousy responses. Investors became highly selective and desired to see paying-customers from early-stage start-ups and not merely a forecast. We went back with some impressive first-month performance, then second, and then third. Patiently noting our vision, each of them presented newer questions. The cycle repeated, and we went through multiple iterations in our business pitch while solving for investors' concerns. Importantly, those questions helped us to think deeper about the problem that we had chosen to address and compelled us to draft better solutions.

During those discussions, I could decipher what exactly they were judging us on!

a) What was the potential in our sector?
b) How sorted was I?
c) What kind of team have I assembled?

The number of meetings did not matter as much as the clarity with which I presented my thoughts.

Mohandas Pai, former Director of Infosys and an active start-up investor, asserted that founders should be directly pitching for the seed round. At an early stage, the face value of the founders ranks above all other parameters of diagnosing.

He said, *"I believe in spending time with the founders and assessing their attitude and approach to problem-solving, their passion for building a start-up, and how well they have thought through the problem. The founder is the core catalyst to run an organization, not the capital. Market potential and past performance come next."*

Scott Kupor, Managing Partner at Andreesen Horowitz & author of the book, *Secrets of Sand Hill Road: Venture Capital and How to Get It,* explained two timeless factors that always remain relevant for entrepreneurs.

The art of story-telling. The founders can convincingly convey their dream and paint a picture of how their chosen industry would appear with their solution using a story. A compelling story includes the past (existing problems), the present (existing solutions), and the future (the chosen solution and its impact on the ecosystem). Scott said, *"If you are launching a company, you'll have to convince people to quit their jobs and come work for you. You'll have to convince customers to be your early adopters despite the missing product functions. Your vision, and the way you articulate it, would determine whether people and customers will follow you."*

The founder-market fit. What makes a founding team uniquely qualified to build a business in a specific sector?

In response to that, Scott said, *"What's the founders' underlying secret which will win them the market compared to another team? The key, as always, is for the venture capitalist to let the founders do the heavy lifting, and it is crucial to identify the hook to back this team versus somebody else who may have a better affinity on the same idea."* It could be an edge in the form of experience, upbringing, unparalleled skills, or an unfair advantage.

It is rare for a founder to provide a definitive answer to each unheard question; *pitching is a process*. One needs to kill questions, meeting after meeting. It's less about whether this idea is hundred percent accurate and more about the founder's quality and depth of thinking – what did you consider while building the idea, and what did you discount. A red flag, however, is when founders change their strategy to please an investor. It reflects a lack of confidence in their world-changing idea.

After discussing the plans with numerous investors, in December 2015, we bagged our first affirmation. We informed our friends and family that the financial woes should soon be over. In our little world, we rejoiced on the investor-validation of a soon-to-be huge business. As it turned out, we eventually closed the Seed Round in June 2016, taking a total of ten painstaking months.

Learnings in raising funds

The degree of assessment of an entrepreneur varies with each investor. There's no unitary approach to decrypt the process. However, one can learn from the errors committed by other founders and avoid falling for similar traps. Reflecting upon the journey, I figured a set of mistakes that I committed, leading to such a delay.

Confused target raise

We changed the target fundraise amount while holding discussions with various investors. Though we had set out to raise $500,000, upon noticing a more considerable interest, we increased the target-amount to $750,000, a 50% jump. Today, it might seem quite an immature move, but back then, in late 2015, the people guiding us advised us to raise a higher sum as the clouds were still dark. Not only did it delay the process of convincing the investors, but it also eroded their trust. Changing the target revealed our unpreparedness.

Fell for a fad

I recognised that large VCs were not the best bet for an early-stage start-up to raise from, whereas angel investors and seed funds were. Large VCs follow a chain of command, from an analyst to a partner. Each of them must be convinced of the opportunity. And multiple partners at the top of the ladder led to a considerably higher time in closing the round. In contrast, with the angels or seed funds, a single person drives the decision-making. We fell for the fad of adding jumbo VCs to the shareholding early in the journey, hoping to add credibility.

Too many cooks in the kitchen

We tried to raise money from multiple investors at the seed stage. This considerably delayed the closure of the deal as each of them needed to have agreed on common terms to reach a consensus. The tug of war amidst them for distinctive rights suiting their respective statures and fund-strengths scripted havoc, resulting in loss of time and added pressure. In an attempt to prevent the company from dying, we succumbed to certain terms that unfortunately prompted two of the investor groups to pull back.

Underestimated the time to raise

All this while, it was difficult to keep the melody playing inside the company. To keep the show running, we had to consistently invest money for ten months. The co-founders borrowed money from their friends (who never refused), family (who were genuine well-wishers), and all sorts of reliable and unreliable sources. It wasn't sufficient, though. Bills piled up, employees' salaries were delayed for straight two months, logistics partners stopped providing trucks for deliveries, and we defaulted on office rent.

I started avoiding phone calls from billers. We couldn't pay the office rent for four months and lived under the landlord's threats of throwing us out. It was haunting for the business to survive with no funds. People around were visibly losing trust in us. As the CEO, I was devastated on losing command over actions and speeches. Despite my focus on securing the money quickly, investors were ruthlessly systematic. It kept adding to the financial pressure. Whereas, outside the company, three competing start-ups who had launched around the time of our company's inception, shut shops.

In discussions with Neha Kant, founder of Clovia, a women's lingerie brand, she recollected how external factors hammered the business position. She said, "*In November 2016, a bomb fell upon our business – demonetisation. Since November and onwards usually marked the peak volumes of orders for our business, we were prepared to capitalise on the growth in sales. Much to our horror, demonetisation resulted in a sudden drop in sales, upsetting the production-sales equilibrium and therefore the cash flows. It put the business trajectory behind by six months and we could recover only by April 2017.*"

While accepting the fact that only a limited number of factors are under a founder's control, she believes in fixing the ones at hand rather than blaming the ones that are not. She said, "*Because of the unwarranted troubles caused by demonetisation, we had to rethink entire cost structure of the company to survive till it came back to normalcy. One of the first steps that we took was to stop drawing salaries as promoters. We worked doubly hard to ensure that our customer revenues recovered quickly and we cut down costs brutally.*"

While speaking about the impact on the workforce, Neha referred to the promoters as actors on a stage; how they perform to manage the stress in those situations flows down to the team. She said, *"If you show anger and frustration in your routine at work, it will seed into the staff members' collective personality. It happened at Clovia too. The key is how soon does one become aware and fix it."*

Manish Taneja added that team members are not on the same boat as the founders, rowing to build an INR 1000 Crore company. They might not be privy to all that is going on in the fundraise, and have a little role to play in how much money you were set out to raise and whether it was delayed. Thus, it is imperative to establish clear communication, apprising them of the situation.

He explained, *"You need to secure the top five to seven people who are the pillars of your business and be transparent about the risks to the entire team. Even a short email or a town-hall meet, which takes less than 30 minutes to prepare for, can do wonders in instilling confidence in each member."*

While founders always prioritise the employees' financial security, at times, the horrifying situation of delayed funding leaves them with no option but to slash the staff's remunerations temporarily. This is when the motivations that drive your workforce surface. Although most members would have a question mark over their faces, the ones driven by the right reasons would stick by, whereas those with the wrong reasons may part. People who'd truly believe in the business and its vision wouldn't wither by a short-lived storm. But the ones for whom money is the only magnet would be the first to begin hunting for a new opportunity.

A common response entrepreneurs who have witnessed the exits of team members during troubled times adopt is to remain stoic. They do not judge. While some employees may have financial commitments to honour, a few may be reeling under family pressures. Judgments only destroy the remaining staff's ability to absorb pressure. You do not want a loyal team to stop applying its brains when it matters the most.

Manish views the challenges of delayed funding or external factors to be a part of every entrepreneur's life.

He said, *"There's nothing to be emotional about the problems. And this might not be the last time. In your career, you might encounter it on three to five occasions. Even the most successful entrepreneurs have faced it. You should just brace for the impact."*

While we all make mistakes, it is smart to learn from the ones that others make. It was evident from several interviews with serial entrepreneurs that they could manage trials and tribulations better, having faced atrocities before. Perseverance develops by facing distraught situations repeatedly, over time. They transcend the swing of emotions and inspire energy to navigate through difficulties.

Celebrating Funding

Here's an excerpt from the letter that I wrote to the team on successfully closing the first round of equity funding.

> *June 2016*
> *Today, I could see a huge sigh of relief on each face in the team upon hearing the grand news. The moment we had all been waiting for, aiming to make a dent in the sharing economy by building a defendable business instead of struggling with billers, has eventually arrived. We closed Seed Round of funding of INR 3 Crores, which is led by Ivycap Ventures and aided by Unicorn India Ventures. We are*

lucky to have found investors who believe in our vision and 'may' assist us in scripting our success. The highlighted word, 'may', seems a little scary, doesn't it? Well, it surely is.
It is scary because investors and their money were never the formulae for a start-up's success. Those will never be. It is the team that defines the direction and formulates its own success. It is you, who will script GrabOnRent's story, both inside and outside.

Surviving with the tricks and techniques this long by staying bootstrapped is a noteworthy achievement. While establishing a business, a company is most vulnerable in its first year. A few companies that launched around our company's inception – Whatsonrent, Mesh, and KutCorners, have already shut shops. Though they identified the right gap, they might not have had a team who backed the idea, or supported the founders, or envisioned their future with the company. They certainly did not have you. Hence, the company is you.

Remember, you are a part of the team who has dared to dream beyond conventional business models, executing it with a definitive optimism. (Definition: Definitive Optimism – a structured and planned approach towards achieving a wealthier future). GrabOnRent will continue to remain a growth-oriented start-up. We'll continue the smart use of funds. With the monetary struggle taking a backseat, your responsibilities double-up as a core member. You will have all the freedom to introduce improved processes, novel techniques, and smarter products to boost the efficiency of the business. We'll continue to remain a closely-knit team, driven by the passion for making each customer trust in us for their rental needs. In the journey ahead, all you need to take care of is that your learning should never stop, and the company will take care of itself.

Mayank Bidawatka compared celebrating funding with celebrating receiving pocket money. He explained, *“Do you feel proud when you get pocket money from your dad in college? Have you ever boasted, saying, ‘I got ten thousand rupees, how much did you get?’ You don't. You consider pocket money good for temporary sustenance, but the core idea is to still get educated. Eventually, you have to stand on your own feet. Pocket money can save you from doing some menial job right now, but education will go a long way to accelerate your career.”*

Experienced entrepreneurs refrain from celebrating funding. Instead, they find it burdening them with more responsibilities. It arrives with more shareholders and their varied interests. What should rather be celebrated is how big the returns you could create out of raising less. How big a multiple you could generate for the people from whom you are taking money. Raising $10 Million and providing an exit of $20 Million in five years is not worthy for an investor.

It is vital not to deviate from the path that you initially envisioned. With a healthy sum of funds in your kitty, you still need to tackle the challenges that await. Efforts must be aligned towards growth instead of firefighting the billers. With a recharged valour, you must rise higher with sheer hard work while believing in your abilities to steer the ship.

And things will happen. Only when your fundamental aim stays clear would this gunpowder allow you to shoot farther.

CHAPTER 15

Venture Capital is a Business

A venture capital firm draws money from several individuals and institutions, namely Limited Partners (LPs), and acts as a money manager on their behalf. LPs are typically large institutions, including pension funds, financial firms, insurance companies, and university endowments – all of which put a small percentage of their total funds into such high-risk investments. Alongside the LPs, the firm's partners pool personal money in their capacities. This sum is mandated to be invested in start-ups, belonging to specific categories or scales, and form a portfolio, with a target to score a gigantic 25% – 30% IRR (Internal Rate of Return – the metric used to determine the attractiveness of an investment). It translates to a multiple of 3 to 4 times on the principal value in five years. Compared to the returns from other financial assets such as mutual funds, real estate, or stock markets, this is an audacious return-expectation. The firm needs to be impeccably astute to land anywhere close to such returns.

However, only a few venture capital firms have demonstrated the furnishing of such returns. In 2014, Correlation Ventures, a Palo Alto based analytics-driven venture capital firm, released an astonishing report from its study of 21,640 funding deals in the US, spanning from 2004 to 2013. It revealed that 65% of venture capital deals returned less than 1X on the capital invested in them, whereas only 10% produced 5X or more. To put this into perspective, it means that 2 companies in a portfolio of 20 companies would be labelled as a winner, while 13 companies as losers.

Similarly, the odds of placing a bet upon a winner are scarcely low in India. Waterbridge Advisors, a Mumbai-based wealth advisory firm, released a report highlighting the concentration risk in a VC firm's portfolio. Its study of ten seed-stage funds showed that 34% of the investments had been written off, and another 51% produced less than 3X return on the invested capital. Thus, converging the return-expectation on the remainder 15%, or 3 companies in a portfolio of 20.

Most start-ups die out, and whether we like it or not, it happens frequently. Globally, VC reputations are often built on one or two good investments. Horsley Bridge, a highly respected investor (Limited Partner) in many VC funds, shared aggregate data on over 7,000 investments made by funds from 1985 to 2014. It disclosed that only 6% of deals produced at least a 10X return, making up 60% of total returns. Contrary to popular beliefs, the best VC funds don't have fewer losers (or more winners) than average VC funds. In other words, they're no better at strategically picking winners and avoiding losers. Instead, they make money by scoring bigger 'big wins' – home-runs.

A well-known analogy to describe home runs in the venture capital industry is the *Babe Ruth Effect*. Ruth was an American professional baseball player, whose career in Major League Baseball spanned 22 seasons (from 1914 through 1935), and who is placed among the greatest athletes of all eras. His spectacular ability to bat was a crowd-puller. Babe Ruth set multiple batting records. But what is surprising, and not that well-known, is that Babe Ruth was also a prolific ball-misser. In other words, he struck out a lot. His nickname for many years was 'The King of Strikeouts'.

But how could the two things be reconciled? The answer lies in Ruth's batting style. In his own words, on how to hit home runs: "*I swing as hard as I can, and I try to swing right through the ball. The harder you grip the bat, the more you can swing it through the ball, and the farther the ball will go. I swing big, with everything I've got. I hit big or I miss big. I like to live as big as I can.*"

In the context of a venture capital firm, this is similar to saying that big home-runs (successful investments that produce outsized results) steer its returns, whereas the strikeouts (failed investments) don't matter. The tenet is imbibed in the actions of VC firms looking to invest in start-ups that have the potential to return an outsized result, without worrying if they fail.

While talking about the ceiling of 4-run baseball grand slam, Jeff Bezos, the CEO at Amazon Inc, said, "*The difference between baseball and business, however, is that baseball has a truncated outcome distribution. When you swing, no matter how well you connect with the ball, the most runs you can get is four. In business, every once in a while, when you step up to the plate, you can score 1,000 runs*."

The bottom line is that venture capital is a complex business of relentlessly improving the chances of spotting winners. On the bright side, the limited odds do not keep them from scouting and investing in start-ups that resonate with their theories.

How Venture Capital firms make Money

A VC firm's core logic is to invest in a company's balance sheet until it reaches a sufficient size and credibility that it could be sold to a corporation or listed on a stock market and provide liquidity. During this while, it has to meet its operational expenses and earn incentives on the exits. The daily operational costs of hiring and running a VC firm are handled with a 'management fee'. A firm typically draws a 2% fee of the fund size every year. Additionally, a VC firm also takes carried interest, or 'carry'. Carry is taken as a percentage of capital gains (profits) earned by the firm.

Let's say an INR 1000 Crores fund exits with INR 4000 Crores in 5 years. Let's assume a hurdle rate, which is the minimum expected return by its LPs, is set at 8.5%. The firm is obliged to return 1000(1+8.5%)^5 = ~INR 1500 Crores. The remaining ~INR 2500 Crores is profit. The VC firm makes carry on this profit, usually being 20%.*

*In five years, the VC firm would make 5*2%*1000 = INR 100 Crores through management fee, but 20%*2500 = INR 500 Crores through carried interest.*

Distinctly, carry can be gold.

The gains are distributed among the ranks in the firm. Associates and Principals are rewarded for their contributions in sourcing, executing, and nurturing successful portfolio companies that generate returns. However, the Partners enjoy the lion's share in the carry, for generating profits for their LPs despite the minuscule odds.

Follow-on Strategies: Doubling Down on the Winners

VC firms operating in India over the last decade have realised that the consumer businesses, even the technologically scalable ones, have longer exit cycles and are far more capital-intensive than their global peers. Therefore, it is important to spot an opportunity early and have significant dry powder (reserve capital) for doubling and tripling down on the winners – follow-on strategy.

Peter Thiel, the German-American serial entrepreneur and venture capitalist, illustrated the importance of follow-ons in his book, *Zero to One*. He stated an example.

"Andreessen Horowitz invested $250,000 in Instagram in 2010. When Facebook bought Instagram just two years later for $1 Billion, Andreessen netted $78 Million — a 312X return in less than two years. That's a phenomenal return, befitting the firm's reputation as one of the Valley's best. But in a weird way, it's not nearly enough, because Andreessen Horowitz has a $1.5 Billion fund: if they only wrote $250,000 checks, they would need to find 19 Instagrams just to break even. This is why investors typically put a lot more money into any company worth funding. (And to be fair, Andreessen would have invested more in Instagram's later rounds had it not been conflicted out by a previous investment). VCs must find the handful of companies that will successfully go from 0 to 1 and then back them with every resource."

Downside Protection and Upside Advantage

Despite deal structures and specifics varying across companies, venture capital firms stick to a common logic – giving the fund both a generous downside protection and a favourable position for additional investment, if the company proves to be a winner.

For instance, let's assume a deal where a VC firm invests INR 50 Crores in exchange for 25% preferential shares. These preferential shares offer downside protection through liquidation preference. A liquidation feature simulates debt by giving absolute preference over the common shares held by the management until the VC's INR 50 Crores is returned. In other words, should the venture fail, they maintain the first claim to all the company's asset sales. Besides, the deal often includes proportional voting right on key decisions.

The deal typically contains downside protection in the form of an anti-dilution clause, which protects it against equity dilution if the subsequent financing rounds occur at a lower value. Should the company stumble and have to raise more money at a lower valuation than the previous round at which the VC firm entered the shareholding table, the VC firm would be entitled to get enough additional shares to maintain its original equity position – that is, the total percentage of equity share owned. Such preferential treatment generally comes at the expense of the common shareholders, management, and investors who are not affiliated with the VC firm.

Alternatively, if a company is doing well, investors enjoy upside provisions, giving them the right to put additional money into the venture, sometimes at a predetermined price or market-discounted value. What it means is that the firm can increase its stakes in successful ventures at relatively below-market prices.

Approaching a Venture Capital firm

Budding entrepreneurs often ponder upon a question – '*When is the right time to approach a VC?*' Well, against the popular belief that a VC only enters during a company's growth stages while commercializing its innovation, many large funds have begun hunting smart entrepreneurs right from the seed stage. The names include Sequoia Capital, Accel Partners, Chiratae Ventures, SAIF Partners, and many more. The rising competition among the VCs to back quality founders has resulted in their participation during the primal stages.

While unsolicited emails work just fine to strike a conversation, referrals stand a better chance of capturing a VC's attention. Sajith Pai, Director at Blume Ventures, said, "*We typically get around 3,500 pitches a year. Up to a sixth of those are referrals. The cold pitches get anywhere from a minute to five minutes (very rarely, a bit more) while the referrals get at least 15 – 20 minutes and a reply. Often the referrals lead to a meeting. Sometimes two.*"

It makes sense to put a good deal of effort into this approach to maximize your chances. You must set your peer circle to use for an introduction, without dwelling in shame. Your ability to manoeuvre people and relationships is a crucial skill and should be intently developed. If you shy in asking a peer to make a connection or fall behind in figuring out a way to reach a VC, how are you going to accomplish more demanding tasks such as selling products to a customer whom you do not know?

However, the hard part is obtaining time from the right person in a VC firm. Unless founders have tasted success earlier in raising funds, they have to make their way through the hierarchy in a venture capital team – starting from an associate to a principal, and then finally to a partner. The entire process is, in fact, cumbersome. The founders are expected to persuade each person up the ladder that they have what it takes to make their business the market leader in a large sector. Hence, it makes a case for understanding the roles of the people working at a VC firm, and their decision-making powers; a necessity to determine how much influence someone has over an investment decision. Though there could be varying designations at different firms, the following three buckets reside at their core.

Associates – Their role is focused on analysing exciting industry sub-sectors. The associates would network, take part in industry and VC events, keep an eye on the latest sector trends, and cold-call potential target companies to learn more about their business and arrange for a meeting with the founders. Along with the analysts, they participate in conducting due diligence, analysing business plans, and helping out portfolio companies. Your earliest interactions with a firm may well be with someone at this level, and they're the ones who will advocate for you up the chain.

Principals – They are in charge of making portfolio companies run smoothly and often assume board positions on a few of those. Also, their role is to network and identify exciting opportunities for the fund and to negotiate terms of certain deals – be it a new investment, an acquisition, or an exit. Rarely do they have an autonomous vote in deal-making. However, a few of them can potentially influence its rate.

Partners – These are the people who put their own money in the fund, raise the rest of the capital, and manage it. Partners tend to be less involved in the daily deal-making and are more focused on high-level tasks such as identifying key sectors to invest in, giving the green light for investments and exits, sitting on the board of some portfolio companies, and representing the overall firm. They are the key to an entrepreneur in bagging a cheque from the firm.

Asking the right questions

Often the relationship between an investor and an entrepreneur is compared to a marriage. Though painful, marriages can be unilaterally ended. In contrast, equity investments are like blood relatives – love them or hate them, but you cannot simply be free of them. Just how you can't divorce your crazy aunt. Entrepreneurs must assess the engagement with an investor in the short-term – to save time in multiple meetings, and in the long-term – to save themselves from the mental distress that could follow. At times, there might not be an opportunity to choose among several investors who would be eager to invest in the business. However, asking the right questions would not only disclose their motivations and risks, but also prevent you from falling for a possible destined-to-fail association.

Are you a Lead or a Follow?

Finding a 'lead investor' for your financing round is essential for anchoring it. The lead investor plays the most significant role in setting the price and the terms for a round. Generally, most VCs tell you upfront whether they want to lead a round or not. To get accurate confirmation, you must notice if they ask too many questions around '*who else is investing?*'. It is a sign that this VC is behaving like a 'follow', and may participate only when some other investor leads. However, 'follow' VCs still qualify for fantastic investors, and you should positively engage with them. It is only wise to engage deeper when you have a definitive lead. Otherwise, it's highly likely that you may build a suboptimal syndicate and that you may spend significantly more time raising the round rather than focusing on the business.

At GrabOnRent, I spent a soaring amount of time with investors who were always keen to learn who else was investing. They were never able to take an independent call to invest and eyed to pocket a deal along with a larger firm to play safe.

Will you write another cheque if needed?

Not enough entrepreneurs ask this question, and rarely do they care to understand the current stage of the fund's life-cycle. You must know if the fund has enough 'dry-powder', or money to make follow-on investments over time, with or without an external investor. Often start-ups need another cheque, either to prove the product-market-fit or to reach an attractive early-traction before raising another round. Most of the funds always reserve a buffer sum to double down on their investments in good times and participate in the subsequent round of financing to generally maintain their shareholding. But the real answer you must seek is whether they can support you without an external investor, allowing you more time to prove the business. You can expect good investors to highlight their learnings from the past bail-outs, from writing another cheque to support a portfolio company, and from whether the decision worked for the better or worse.

What if the business fails?

While almost all investors help you raise the next round and are gracious when you win, the disappointment of a loss often brings out someone's true character. Every investor understands the risk of writing a cheque to a business that has not proven itself yet. While a few of their investments would bag an astonishing return, many would fail to return even the principal amount. It's common to talk about the successes in a portfolio and bank upon re-creating those. However, dark and hard times are disclosing. You must understand whether an investor is sitting on a bed of golden exits (meaning that losing money on your business might not be a make-or-break situation for the fund), or whether the investor has just started a fund with no winners (meaning that the investor is placing a career-defining bet upon your business). You can expect a good investor to patiently take you through stories of certain failed portfolio companies and highlight what they learned from it, or how they contributed to finding decent exit options.

How do you work with portfolio companies?
Not every VC holds the capability to offer much beyond financial support. While some bring strategic guidance and a strong network to the table, others may be good at helping with recruitment and public relations. You must enquire how they could help their portfolio companies beyond money and how involved they typically are in the strategy and the operations of their portfolio businesses. You should discuss the factors that make the VC excited about your business and whether their intended direction differs from yours. If the VC wants to steer your company in a direction that you don't agree with or has fundamentally different thoughts about your future exit, it is better to learn those before closing the deal. While your (and their) future vision for the company is subject to change, a significant mismatch in the early stages could be a sign to pursue a different relationship.

I strongly believe that a part of your diligence process should include speaking with the promoters of the investor's portfolio companies. Enquiring to understand the support and contentions while working with the said investor could unfold the nature of involvement in both times, good and tough. Unfortunately, the reviews for investors are not publicly narrated. It's your job to figure out about the people who would partner in your dream.

CHAPTER 16

Journey to Growth Funding

Fundraising is a time-consuming sales activity and requires significant networking, consistent follow-ups, and tons of discussions even before receiving a term sheet. On average, it consumes six to nine months, and at times requires you to meet with tens of potential investors. The nuances of raising a seed round can be understood with the process of planting a tree. Trees do not grow overnight but sprout from seedlings that form strong roots and lay the foundation for tomorrow's splendid masterpiece. Similarly, a seed round is meant to provide capital to start-ups to build a solid foundation that yields a profitable business in the future. It is typically used to build the initial instrumental teams, find a product-market fit, and further develop key products.

While no founder is expected to know everything, the capital helps iron out the kinks in the business models and the customers' needs. It provides unmatched freedom to founders for filling their knowledge gaps. Once seeded, the tree begins to sprout. The primary question one should ask before pursuing Series-A financing should be – *'Do I have both product-market fit and proven systems that will allow us* *to easily multiply the revenue in the next 18 months?'* And this is precisely what a VC would want to hear.

Any start-up's assessment transpires tens of risks, and an entrepreneur's job is to reduce those risks during the journey, bolstering the start-up with identified customer segments and a sound strategy to make those customers pay for its services. It builds the much-needed confidence in a VC's mind when the inherent risks in chasing a new market are diminished by the business strategies outlined by the entrepreneur. A start-up could encounter several risks at each stage. During the early ones, these could be product-market fit, competition risk, leadership risk, team's capability risk, and many others. Similarly, at later ones, market-conditions risk, efficiency risk, profitability vs. growth risk, and more. An entrepreneur must confront the hard challenges and stick with working every day to eliminate them one after the other. VCs feed off the entrepreneurs' confidence; it is the core ingredient that drives them to risk millions of dollars to see the business scaling and shaping into a predictable one.

Bhaskar Mazumdar, Managing Partner at Unicorn India, a Seed and Series-A stage fund, explained, *"You need to build proof points that someone might be looking for and clearly articulate your selling-matrix to respective VCs. Assume that your selling-matrix at a certain stage, after establishing an early stellar performance, is to enhance the number of customers and increase the revenue per customer. You recognise that the losses would continue to mount during the next growth phase. Here, you should produce proof from the past performance and your business model that, despite deploying the new funds to capture the market over time, the fixed costs would not rise linearly. It would rather grow only by a percentage of the thriving customer revenues and would allow the business to march close to profitability."*

Many aspiring entrepreneurs have approached me, asking to connect them with the top five VCs to whom they should pitch to bag funding. Many others have asked about how they could score funding in the next thirty days. A few have enquired whether they should approach more investors to increase their chances of getting funded, and some queried about the starting point of the process as they were new to the industry. Almost all of them were disappointed on hearing that there is no shortcut or a defined formula that guarantees a certain amount of funding in a certain timeframe by approaching a certain number of investors. Digest that! Pitching is an *iterative* process. You may end up contacting a hundred VCs and never get to smell cash in your bank. Or you may just have to reach a handful before someone signs you the first cheque.

Perseverance is an essential companion in the fundraising process. You should begin with a thorough research, including the domains of interest for various VCs, their past investments, their cheque sizes, their time to exit a portfolio company, and their successful exits. Since the journey is long and seldom rewarding, you need to build a strategy and stick to it. One strategy could be to approach four or five investors at a time, comprehend their questions, and prepare answers to tackle those before reaching out to the next bunch. Another strategy could be to identify VC-funded peer-founders in your circle and request them to introduce you to their VCs, while you approach other VCs in parallel through cold emails. Since you may be required to hold meetings in quick succession in the latter approach, you must be quick on your feet to develop answers or predictions to the questions that you did not have a concrete solution to, in the previous meetings.

The numerous conversations you hold with investors will help surface their underlying apprehensions and eagerness alike. Every investor may want to see a different facet of the business before expressing an interest. You need to keep your antenna up and not throw in the towel. You need to identify investors that you think would be a good fit down the line and focus on building your relationships with them.

Mark Suster, General Partner at Upfront Ventures, whose portfolio counts six IPOs and twenty-eight acquisition exits, described the importance of sharing your journey with a VC. He believes that entrepreneurs must help VCs evaluate them beyond a single 'moment' of their journeys and instead, a 'phase'.

He said, *"The reality is that this nebulous term people talk about that they 'need to see traction' really just means that they're not ready to invest in your company. Why? Chances are they don't know you well enough and can't judge your performance or capabilities. Imagine a 'typical' deal – somebody comes into a VC's office, they've never met, they're highly referred by a friend and they're pitching a product demo and a PPT. You've never met them and are asked to make a judgment in 2–3 weeks because they're doing a roadshow. That might work for $50–100k but it's less likely for $3 Million unless you're a seasoned entrepreneur, known to the VC, have some metrics that work in your favour or have built something the VC believes to be truly unique. And VCs are tough customers. They've seen it all."*

Thus, most VCs prefer to engage with entrepreneurs for an extended duration and take a longer time than generally anticipated to arrive at any decision. You must show how the ball is moving forward. And it is easier to adjudge the momentum than a single data point. Seasoned entrepreneurs are masters of this art. They maintain a regular connection with investors, both large and small. A warm line of communication, either debating on evolving consumer behaviours or sharing their insights on the market shifts, proves to go a long way in reducing the time to build conviction on the person behind the steering wheel. Relationships, over transactional opportunity, fuel the deals.

Do not confuse this with socializing at large events. More often than not, people attend networking functions without a specific focus. Unless you have unriddled the persons you wish to meet, or you are the speaker, it is hardly a gain. Just exchanging business cards would not make you stand out in the crowd. Your success is tied directly to your ability to interact with the people looking to achieve many of the same things as you are. Each attendee is focused on his or her personal agenda – whether it's signing a new client, creating awareness for an analogous business, or connecting with someone in the hopes of developing a mutually beneficial relationship. Everyone plays a different game, which is why there are usually no clear winners.

Seasoned entrepreneurs are great at captivating their audience. Upon entering the meeting, they focus on their strengths, beyond business too. Besides being prepared with details of the potential probing on the business, which is an integral part of any investor meeting, they rely on a few fundamental factors to inculcate confidence.

What's your unfair advantage?

Consider two scenarios in which two different entrepreneurs pitch for a similar idea – building a new operating system for connected devices, including refrigerators, air conditioners, televisions, and microwaves.

Case 1: This person introduces himself as someone working with a consulting firm that advised customers on market trends in sales of consumer goods. He had developed the idea while working with clients and later noticed a demand for smart devices in modern rented and owned homes.

Case 2: This person introduces himself as someone who graduated with a computer science degree from an IIT before building algorithms at Samsung Technology Labs in the Smart Homes division for the past four years, registering two patents for the company and two more outside of work on IoT (Internet of Things) devices.

If you are Case 2, it brings the investor to attention. He'd be at the edge of his seat before you even begin sharing your billion-dollar idea. Put your best foot forward to mention your background and explain why it is relevant to the company that you are building.

Why this team?

Explain how deeply you have thought about the existing problems, their possible solutions, and your business model. Highlight the areas where the money would be put to use. Mention the like-minded rock stars who have quit their jobs to follow your leadership and are excited to pull off the sought-after vision. Explain how they hold unique capabilities to unravel the limitations in executing the solutions.

In the previous example of developing an operating software, if you have a leadership team in which some members have hailed from a consumer goods sector, and some from directing the sales of a multinational retail corporation, it helps. If you have a product head who holds a Ph.D. in computer science and has released open-source APIs for hundreds of thousands of developers, it helps. Consider this a chance to showcase why your team is the right one to master the industry variables.

How large is the addressable market?

Aim to stretch the listener's imagination and get them excited by the potential in your sector. You need to get over a critical VC hurdle – '*is* *the market large enough?'* and in VC terms, 'large enough' refers to conquering a 5% market share, and still making a $1 Billion business out of it. Investors tend to place bets on proven industries or services prevalent in other parts of the world, ensuring a larger market space to operate in.

For example, it'll be a task to convince a market for an operating system for consumer goods, compared to an industry that has flourished in the west – such as rental-property management. You must deduce the Total Addressable Market (TAM), dropping the irrelevant customer segments. For instance, it is not sufficient for a brand such as Xiaomi, a China-based smartphone manufacturer, to say that India's smartphone market was valued at $715 Billion in 2019. The company may not serve all the price brackets, and certainly not woo pockets of all sizes. Categorizing the right customer is as important as identifying the overall industry growth. However, Xiaomi would find it interesting to state that the Indian smartphone market is expected to reach $1,351 Billion by 2025, at a CAGR of 11.2% over the period 2020 - 2025. Here, they stand a chance to capture a proportion of the growing market.

VCs are adept at running calculations on the fly. They watch presentations and numbers day-in and day-out. If they are good, you better be able to defend your castle. VCs dig deep because, after all, they are in a business of selecting potential winners. Be it your competitive edge, business projections, past performances, or product features, you'd be grilled upon everything. It's your job – with no exceptions – to impart the much-needed certainty for a VC to identify your business as the ace in his deck.

What is the VC's role?

A general VC pitch to entrepreneurs is that their firm adds value beyond money – experience, operational and industry expertise, a broad network of relevant contacts, a range of services for start-ups, and a strong track record of successful investing. In some cases, the non-monetary resources can be useful. Most founders classify their VCs support in three segments – some would say they are extremely helpful in understanding the situation and suggesting possible solutions. Some would call them to be active on the board, but of little help beyond money. And others would refer to them as painful. VCs do not know your business better than you do. And that's the right way of thinking about it. Leaning upon an investor's shoulders to guide the direction of the company will bring frivolous suggestions, and is also likely to damage the core focus.

The ability to offer and the quality of advice can differ widely. Some CEOs may be happy to skip the mentoring and just take the cash. But for founders who have bought into the idea that VCs provide lots of value-added help, it can be a source of great disappointment. VCs get uncomfortable when asked too many questions. Bhaskar explained why a CEO must steer the ship. He said, *"The entrepreneur needs to make her decision. She knows her business better, and VCs like to see the control in her hands. On the opposite, VCs get startled by questions from CEOs of portfolio companies when they do not understand an industry in-depth. Good entrepreneurs give protocol respect to VCs, but when it comes to making decisions about the business, they prefer to propose options by making a strong case of why they feel like it."*

A founder needs to map out the strengths of the VC and the conditions in which they could be useful. Many CEOs who find their relationship with the VC synonymous to friendship, highlight that they seek opinions when making a key hire, or offering stock options to the management team, or appointing a new law firm. Few CEOs emphasized the importance of investors' transactional knowledge or understanding of industry benchmarks that restrain them from committing errors.

Almost all CEOs learned the balance of relationship with their VCs during the journey and subsequently made the best use of their knowledge and connections. Similarly, VCs too learn from their contributions to their portfolio companies.

Bhaskar outlined, *"After investing and observing our limitations to actively contribute to the consumer-facing start-ups, we recognised that our expertise and experiences are better suited for business-to-business companies. We could not predict the future for each of those consumer-internet companies and found ourselves clueless at times to guide them further. Whereas, we had participated in successful turnarounds in business-facing start-ups when they weren't in the best shape. Now we understand the selection technique that suits our DNA."*

As you climb the ladder of raising further investment rounds and partner with a greater number of VCs, you will detect tens of moving parts – setting the right terms for a deal, hiring the right banker, or churning stellar business performances. However, the facet that stays constant throughout the evolving journey will be your conviction upon the business. You will need to sell the business prospects to several investors, no matter how dreadful the week was or how many rejections you had to face today. You will still have to show up at the office and beam the energy that you are known for. You will nonetheless have to wake up every day, believing that today will be better. In this journey of nurturing a seedling and watching it evolve into a tree, you need to stock your armoury with an unshakable belief and tons of patience.

CHAPTER 17

Banking upon a Banker

In the 1930s in the UK, the mother of a seven-year-old girl named Gillian Lynne took her to a doctor because her school was concerned that she had a learning disorder. She couldn't sit still in her classes, and it was rare that she grasped everything being taught. Gillian felt hopeless; her teachers were infuriated, and her mother was at the end of her tether. The doctor patiently heard her mother – Mrs. Lynne – tell about how the teachers' concerns about Gillian's disruptive behaviour bothered her.

A few minutes later, the doctor and Mrs. Lynne stepped outside the office to speak privately. Before leaving the office, the doctor played some music on his tiny office-radio. From the hallway outside, Mrs. Lynne and the doctor peered in and observed little Gillian jumping and twirling around the room, enraptured by the music. The doctor turned to Mrs. Lynne and famously said, *"There is nothing wrong with your child. She is a dancer."*

He then recommended that Gillian be enrolled in a dance school. Gillian's mom did precisely that. Upon joining the dance school, Gillian later remarked, *“Everyone was like me, they understood* *me. It is wonderful!*" Thanks to the doctor's suggestion, Gillian went on to have an incredible career at the Royal Ballet. She has been responsible for some of the most successful theatre productions in history, such as '*Cats*' and '*Phantom of the Opera*' that bagged her numerous prestigious awards. Later in 2018, the 'New London Theatre' was renamed to 'Gillian Lynne Theatre', making it the first theatre in the West End of London to be named after a non-royal woman.

A good banker is like that doctor. He would understand the nerve of the business by patiently listening to the promoters' stories, identifying a pool of prospective investors with whom the story might click, and then propel it to click. A good banker exhibits the curiosity to grasp promoters' business in-depth, identify their insecurities and strengths, and figure out what exactly they are eying from the investment. He would help them compile a list of potential investors, shortlist it, modify pitches, and then reach out using his network. A good banker has a strong network with investors, a network that he carefully nurtures through time, also understanding their motivations, style, and investing process. He would then prepare promoters to craftily present the business in the most appealing manner that resonates with an investor as an opportunity. Besides, he'd also prepare himself to answer anything about the business at four in the morning as if his life was at question.

Thus, the basic qualities found in a good banker go beyond merely making introductions. It's also his job to act as a neutral party who attempts to make a winner deal for both parties. A good banker is expected to have a high degree of knowledge on how investors work – investment patterns, anti-portfolio (rejected investment opportunities), decision-makers, and the general time to close a deal. Moreover, matching those with the promoter's story – how big is the market opportunity, why it fits into the investment criteria for a particular investor, why these founders are the right people to lead the business to success, and why the timing is suitable to invest in the business.

Relying upon a banker at early stages

Though bankers are known to cruise a deal, the Seed and pre-Series-A stages (generally up to $3 Million) are not the suggested times to appoint one. If you're raising a seed round, the chances are that your company is yet to achieve a product-market fit. How would a banker sell something that's still in a shell?

Early-stage investors invest in you.
Investors want to adjudge the potential in your business by knowing you – the person behind the idea, how impeccable your thought process is, and how you would minimize the ambiguity on its path. Getting to know each other is crucial for both sides' due diligence to find comfort in working together for a longer run. The seed fundraising process is like the first few dates together – the initial meetings allow an opportunity to share a few laughs and discover each other's motivations and apprehensions. And indulge in intense probing upon the idea, the industry, and later on the deal terms. In doing so, each of the sides learns a whole lot about the other, and whether it feels like it could be a good fit.

As a founder, you don multiple hats, and at the early stage, an important one is *Head of Sales*. An investor would want to know whether you can turn a garage idea to a billion-dollar business, and whether, to achieve that, you possess the charisma and passion for selling the idea to future employees, customers, and all other stakeholders. Who better than the founder could hustle enough to sell something that does not exist yet?

Hunter Walk, Partner at Homebrew, a seed-stage fund and the past Director of Product Management at Google, explained the importance of the founder's hustle. He said "*At the seed stage, there are just some things you can't outsource and fundraising is one of them. You don't need an intermediary. You need to be out there building relationships with potential investors. You need to understand how to tell your story and how to get someone to believe in you. Failure to do this well doesn't just impact fundraising – it's the same for hiring, for the press, for partners.*"

Motivations of early-stage bankers do not align with yours.
Mostly, the bankers charge young start-ups based on a success-fee model, which means that the banker will earn his fee only if a successful transaction occurs. Though it sounds fair that you need to pay only if he bags a deal for your company, there's a lot hidden behind it. Ravi Bhagavan, Managing Director at Allied Advisers, explained, "*Good bankers don't like to take on smaller deals since the time and resources expended would be disproportionate to the potential fee income. Hence entrepreneurs looking to use bankers for Seed/Series-A raises are often limited to small advisory firms. It is important that the senior team works on the deal with you. It is fairly common for larger investment banks to take on small deals and staff the engagements with Associates because it's not worth the time of senior bankers.*"

Good bankers are candid about their time commitment. For instance, for Kashyap Chanchani, the Managing Partner at The Rainmaker Group, which is one of India's most successful investment banking firms, it did not take even a day to turn down the opportunity to consider our mandate to raise $8 Million in Series A. He patiently explained, "*It'll take 6 to 9 months of effort to make a 4% commission from your $8M deal. I'd rather opt for a $100 Million deal to make the same percentage.*" It is natural for bankers to optimize for maximum revenue – instead of taking a larger number of small-ticket sized deals, they prefer to take fewer large-ticket sized deals.

And it shouldn't be disappointing for an entrepreneur. It is better not to have a banker than have a lousy one. Nor would you want an inexperienced staff to lead your mandate. They will lack both the experience and the credibility. And while you expect to draw a successful result, an inept junior staff is likely to cause more severe damages. The banking firm might not care which investor fits best for your business and instead focus on identifying their commission sources.

One who knows can sell the best.

Aspiring entrepreneurs often question – '*What about building a business plan?*' but they don't take into account that bankers do not know any better than them. Usually, the pitch decks and financial models prepared by professional fundraisers are far worse than those made by the founders. Bankers tend to work like machines, overlooking vital insights into the business, which may be present only with you. You are the one who knows all the cogs in the wheel. Only you can decipher the opportunities and threats to your business. It's vital that you think through all the pit-falls around the business, make strategic decisions, and explain to them yourself rather than having outsourced your thinking to someone who doesn't understand the industry to its depth. Bankers are not necessarily thinkers. You don't want someone else to dream on your behalf when you are yet to concretise the direction for your business.

The best route to an investor is always through a warm introduction from another founder they regard highly. However, if you can't find an introduction, the next best thing is to email them directly. The actual fundraising process can prove to be a hassle but should be handled the same way the sales process in a business is managed. If you do not want to manage that process, it might give birth to doubts around your sales ability.

Picking a banker for late-stage deals

Having proved the product-market fit and wisely utilised the seed-stage funds, you now find the need to climb the ladder. You wish to expand the business by either replicating the early success across newer geographies or strengthening your market share in a single territory. When your fundraising requirement climbs to $10 Million, the number of investors who could write that cheque shrinks. Besides, such a target amount justifies the time those senior bankers would invest with you to earn their commission. Thus, it marks the sweet spot for founders to appoint bankers into fundraising efforts. However, founder remains the key. The founders still know the intricacies of their business the best. The advantage now is that they also understand the complexities of a fundraising process.

For GrabOnRent's Series-A funding, I fell for incorrect accolades while selecting a banker and later realised that it was a hasty decision. Few months into working with the chosen banking firm, it dawned on me that they did not believe in our vision and were simply hungry for business. On occasions, they failed to set the tone of the meeting; the agenda with which we entered a meeting turned out to be drastically different from what the investor had expected. Later one day, upon receiving rejects by two investors, their representative threw up in our face – "*It's hard that anyone would fund you!*" I was shocked, to say the least; I questioned in silence, '*Why on this Earth did you take up our company's mandate then?*' It was evident from their efforts and actions that they had become sloppy. Not able to see a potential closure with the first few investors, they turned to prioritise other deals with a higher potential to maximize the total amount that they could close in a year.

Despite our persistence to pursue other prospective leads and utilise their research team to build a stronger case, they failed to produce a single market-study throughout the nine months of the fundraising process. I urged them to download specific statistical reports from reliable sources that they had access to. And eventually, I had to don a researcher's hat to assemble data and build reports on market sizing, local and international investments in the space, and every other kind of report that you originally expect from a good banker's team.

Good bankers are rare, but bad ones are aplenty. It is important to ask your banker the right questions to avoid falling for incorrect laurels. Besides the general questions, one must analyse deeper factors that would govern your relationship with the banker during the long process of fundraising.

What is their transaction success rate?

Jatin Tehri, Managing Partner at InnerWave – an investment banking firm, which deals in fundraising, special-situation transactions including distress funding and M&A (mergers and acquisitions) – explained, *"The success rate of an investment banker is limited between 5% to 10%. If a banker manages to close one out of ten deals, he is considered great. A founder must begin his alliance with a banker recognising that there exists a ninety percent chance of failure in closure rate."*

Almost every entrepreneur has experienced disappointments early in their careers when they relied heavily upon a banker to produce results. The dissatisfaction of not crossing the finish line with a transaction is real. However, each of them prepared themselves better for the next times. When it came to working with bankers on second or third occasion, seasoned entrepreneurs learned to place the right amount of belief. It is crucial to understand the success rate in the past ten deals the banker has picked up and the learnings he drew from those processes.

What key factors worked in past successful transactions?

Bankers are not magicians who can produce deals out of thin air. They ought to follow a process in developing an in-depth understanding of your sector. You need to feed them regularly with the business' performance data – growth revenues, future projections, and market trends that you believe might emerge. And this bolsters their efficiency.

Jatin recollected his learnings while working with several corporate lawyers and founders. He said, "*In my fifteen years of experience, I've witnessed that the success rate of a transaction depends on the founder and not the banker. While fighting a case in a court, if the company acts like a lawyer themselves, they'd be able to bring out the intricacies better than the lawyer. Although you need a good lawyer to represent your case effectively, the lawyer can only take out the best from what you have explained. Similarly, a promoter should know her case in-depth and until she feeds the banker with precise details, making the banker understand her case as good as she does, the banker will not be able to score a deal. He'll always stay a bad banker. She best knows the business, and her role can never be substituted.*"

A banker can be as good as you are.

What is the motivation – reputation or money?

Your banker is a reflection of your business and beliefs to the outside world. While you would pick a banker who is extremely professional and can best represent your company, you must not miss identifying a match with his motivations. If you are looking for the highest valuation from any funding source, you want a banker who is aggressive at getting the opportunity priced up. Likewise, if you are focussed on finding the right partner with the right fit, you must establish if your banker has the much-needed highest level of patience. Reputation-driven bankers are aligned with the founder's target, whereas incentive-driven ones aim at wrapping deal as quickly as possible. Incentive-driven bankers may fail to ensure that only relevant prospective VCs receive the proposal. Reputation-driven bakers do not spam investors; they also pre-empt the questions that VCs may pose to the entrepreneur and help in the preparation. They would then collate the critical feedback from VCs who reject the opportunity and use it as a valuable input for tweaking the investment pitch or the fundraising strategy.

Selecting a banker may be difficult and require you to be a good judge of character. You can always use reference checks to your advantage, learning the stories from the founders who appointed the banker in the past. They would always be happy to share their experiences, bad or good alike. The wrong decision can cost you both time and money in the form of a broken deal process, suboptimal valuation, or inappropriate investors.

CHAPTER 18

Getting Friend-Zoned

'Your strengths are clearly highlighted and complement your future business plans. Do not let the conversation deviate from your key agenda. Shubham, you got this.'

Ayush Jain, then a Principal at Unicorn India Ventures, who had spent hours with me to fine-tune a presentation, remembered to text me at the eleventh hour before showcasing it to an investor.

During the pleasant monsoons of September 2017, an investor group highly interested in leading the Series-A financing in GrabOnRent was scheduled to spend a couple of hours at our office in Bangalore. Their key decision-makers – the Managing Partner and the Principal – would fly into the city for a final meeting to conclude the investment deal, which was shaping up for the last few months. Despite meticulously deliberating the agenda with my co-founders several times in the past few days, Ayush and I wanted to ascertain that no possible query could baffle me. We simulated a moot-court environment to deduce suitable responses to potentially every unpredictable question.

By this time, the investor's team had devoted a reasonable time to understand the business directly from the promoters and the company’s existing investors. They spent considerable time studying the market with our banker. They surveyed our customers to interpret their motivations to use the company’s services and to learn about their experiences. They scrutinized whatever could be made available. As the inspections produced no red flags, I was focussed on entering the meeting room and drawing their attention to what could be a defining moment for the future of the company. Besides, I had no reason to fear; the business had grown 20X since the last seed-funding, riding on the jump in the subscriber base that had grown by 16X in the previous 12 months.

The performance displayed a good use of the funds in yielding a terrific growth path. It was remarkably the fastest growth in this industry with the lowest use of VC funds. During the meeting, I presented the trajectory to make the company the leading player in its vertical and the use of new funds to accelerate towards the milestone. All the intense preparations with Ayush and the co-founders had prepped me to bat well. Although the investor team bowled a few bouncers, I pulled and hooked them out of the park.

Nearing the end of the meeting, I wondered why we had not heard anything from the investor to declare their commitment to writing a cheque. I finally addressed the elephant in the room.

Me (burying the jitters): "*So what do you think about investing in the company?*"

The Managing Partner (assertively): "*We like you. If we are spending so much time with you, we are interested.*"

Me (still yearning to know their decision): "*So, what should be the next steps from here?*"

The Managing Partner: "*We'll come back with the terms of investment.*"

Like any other entrepreneur in our position, we rejoiced. I believed that we finally made the cut after eight months of hardship. The company's existing investors and the banker also labelled the meeting highly fruitful and awaited news from them. But how could life be that easy? When the banker followed-up after a week, they conveyed a '*no*'. On enquiring the reason, they simply conveyed that <u>the opportunity was not right for their fund</u>. Everything turned bleak, and we were left high and dry. Following their withdrawal, another potential co-investor, who had relied upon this investor to lead, backed out too. It was hard to accept the horrific results despite putting our heart and soul into converting the deal. And in less than a week, we lost the entire plot to raise the Series-A financing, seemingly without an option to bounce back.

'*We like you*' is a dangerous phrase. It's synonymous with getting friend-zoned but never committed.

In your fundraising journey, you would hear this phrase from multiple VCs. You might infer that they like your business and are going to write a cheque. But what they mean is that they liked *you* – the people in the founding team, but not yet the investment opportunity. It doesn't guarantee a commitment to invest, and instead often ends with a parting statement: '*We like you, but cannot invest at this stage. Let us reconnect after a few months*'. Hearing similar responses, time and again, I learned to stay alert and spot such traps. I refrained from banking my hopes and assuming that this phrase was a nod for an investment.

While speaking with several other entrepreneurs, I heard similar experiences of last-minute revelations. Though all such incidents left a bitter taste with the promoters, the discussions implied that certain investors do not want to let an opportunity slip from their hands, and therefore tend to engage the promoters till the last moment. They keep their decision pending until the round gets stitched with other investors who ascertain their bet, or they aim to sweeten the deal by hooking a promoter to believe that their cheque is round the corner and subsequently asking for a discount in the valuation. One might criticise such ploys, but as far as it promises to gain a financial advantage, the desperate of the two parties must stay vigilant.

Another learning that I derived during a dialogue with Bhaskar, after the incident, was the existence of funds with different philosophies. For instance, investment funds have structures with varying mandates, write different-sized cheques, and incline towards certain domains. One of those kinds is a 'family office'. Typically, these are investment arms formed with the help of the money earned by wealthy families – earnings from successful businesses or inheritance. And with an intent to diversify their money, they opt to invest in start-ups, a 'high risk, high reward' segment. Most, if not all, of such family offices are sector-agnostic funds, and feature capacities to write cheques ranging from $100,000 to $10 Million. In our case, the investor group was a renowned family office with a sector-agnostic approach and a cheque writing capacity of $5 – 10 Million. One might wonder, if neither the domain nor the cheque size appeared to be a challenge, what had possibly led them to ghost us? Unlike VC funds, the family offices are not mandated to invest only in start-ups within a stipulated period of time. A family office may invest in real estate, bonds, stocks, manufacturing machinery, and *also* start-ups. Such insignificant pressure of time to generate returns makes them highly selective.

Recovering from that phase

The situation deteriorated as the investors pulled out in quick succession. The company was losing INR 40 Lacs a month with lesser than INR 90 Lacs left in the bank to sustain it – effectively two months' runway. I was terrified. I could not pause the repeated drumming in my head — '*Have I lost the battle? Do I have to shut the business now? If there's no money left in the bank, how the hell will I pay salaries after two months?*'

I was at the cusp of losing the trust of all the people in my team who were an important part of my life. Whatever the amount of funds at our disposal, we treated the VC money as our own and demonstrated a defendable growth in the sharing economy industry. '*How did we lose all hopes? Where should I seek help?*'

Not having answers to any of these questions at those moments, I went sleepless for straight 60 hours. I did not entertain calls and avoided people who would try and calm me by saying – '*everything would be alright*', because it was not going to be. It was horrible, and in all honesty, only I was to be blamed.

In 2010, after the global financial crisis, the US Federal Reserve chief, Ben Bernanke, appeared on the show '60 Minutes' on CBS News to persuade the Americans to bail out the banking system. He said, "*Imagine you had an irresponsible neighbour who smoked in his bed and accidentally set his house on fire. Should you call the fire department or should you leave him on his own to face the consequences of his actions? What if your house, and indeed all the other houses in the neighbourhood, were also made of wood? Don't we all agree that under those circumstances, we should focus on putting out the fire first? Then later we could turn to the issues of* *assigning blame and punishments, installing fail-safe against fire, and everything else."*

The message was clear – *act now and blame later.*

It was a strenuous time for the promoters, and we had to make a difficult choice. We weighed three available options.

First, let's pivot to a B2B leasing business. We could reduce the size of the company by half and re-start by focussing only on the profitable corporate leasing deals. We pacified ourselves by thinking that not all companies become a unicorn. A sustained slow-growth business could survive longer.

Second, let's continue the B2C business. Turn profitable with a substantially reduced scale – cut the team size to the bare minimum, forego growth, and focus only on the bottom line.

And third, let's shut shop. Without raising enough funds, it is anyway the end of the world.

We brainstormed for days and decided in favour of the first option. We devised a new business model by omitting consumer space and targeting corporate leasing, where the bulk orders would tend to generate profits per deal. It would mean to re-start the business and pivot to a new customer base. We believed it to be the only way to save our investors' money. We believed that such a model could help us rebuild the company with no additional money, and continue to stay operational, provided we maintained the optimum cash flow. Well, this turned out to be a naive choice.

We met Bhaskar and the other Managing Partner at Unicorn India Ventures, Anil Joshi. They heard the plan patiently, and soon after we finished, they took us by surprise by sharing an invaluable lesson.

Anil said, *"You don't change your business plan overnight and abandon all the expertise that you built in the consumer space. You have invested so much time and energy. Despite the low operating costs, you will have to start afresh with no background in corporate sales, and you would go back by twelve months into building a business."*

They patiently walked us through the challenges that other portfolio companies had encountered while serving institutional clients. They expressed their appreciation for our thought process of saving their investment, but highly recommended that we stick with our strengths.

It was empowering, and over the next few days, both our existing investors supported us by investing capital in the company – the coveted Series-A. The growth opportunities for GrabOnRent were not yet diminished. Ivycap Ventures led the round, and along with Unicorn India and another firm invested INR 11 Crores in the business to accelerate running the show. Though the sum was much lesser than anticipated, it was sunrise again.

A new zeal had birthed among the founders, and we were back on the path to building a meaningful business.

Mergers And Acquisitions (M&A)

CHAPTER 19

Decoding Mergers and Acquisitions

Ranbaxy Laboratories, founded in 1961 in India, was a drug manufacturer that became one of the fastest-growing companies, supplying its products to the US market. At the end of December 2007, the company announced annual sales of INR 6,635 Crores, minting profits of a little over INR 790 Crores. In November 2008, Daiichi-Sankyo, the second-largest pharmaceutical company in Japan, acquired 64% stake in Ranbaxy from the founding family for INR 22,000 Crores. The addition of Ranbaxy Laboratories extended Daiichi-Sankyo's international operations, and the combined company was valued at nearly $30 Billion.

It appeared to be a winner deal. Global media praised the mammoth success of the Indian pharmaceutical company. However, the company had gone through its share of massive turmoil. The malpractices at Ranbaxy were first brought to light by the US FDA (Food and Drug Administration) in 2006, leading to a consequent ban in September 2008 on about thirty generic drugs it produced at its Dewas and Paonta Sahib, and Batamandi units, citing gross violation of manufacturing norms. The major blow came when Daiichi-Sankyo filed an arbitration case in 2013 in Singapore against the company. It accused Ranbaxy's management of 'concealment and misrepresentation of facts' about the genesis, nature, and severity of pending investigations being conducted by the US FDA and Department of Justice (DoJ), thereby fraudulently inducing Daiichi-Sankyo to acquire the shares.

In its April 2016 order, the Singapore arbitration tribunal rejected the contentions of Singh brothers, the owners of Ranbaxy Laboratories, and concluded that Singh brothers' representation during the due diligence period had fraudulently lured Daiichi-Sankyo into buying its shares. Daiichi-Sankyo affirmed that if they had known about the hidden information, they would have never become a shareholder.

After Daiichi-Sankyo's allegations, Malvinder Singh, one of Ranbaxy's owners, hit back at the Japanese firm, stating that it had failed to manage the company properly, and therefore was levelling baseless charges at them. He said, "*Nothing was kept away from Daiichi-Sankyo. It was they who approached us to buy the firm. There was a proper due-diligence, a long dialogue, and all the documents relating US DoJ and FDA were shown to them. Now, after five years, to hear from them that we concealed information from them is totally baseless.*"

Everything was present in front of Daiichi-Sankyo. The US FDA raised alarms too. But Ranbaxy was perceived to be a splendid buy.

This is *greed* – first of the two emotional drivers of an M&A deal. Greed tends to overlook the not-so-obvious threats.

'Caveat emptor' is a Latin phrase meaning 'let the buyer beware'. It is the buyer's responsibility to sincerely conduct due-diligence before purchase to ensure that goods are not defective and suit the fundamental needs. Trust is important in pursuing a deal, but blind trust can cause significant embarrassment and even irreparable damage. In 2013, Daiichi-Sankyo agreed to pay $500 Million to resolve the lawsuit and the federal charges against Ranbaxy, and then took legal recourse to recover this amount from Ranbaxy's promoters. After years of investigation, Daiichi-Sankyo succeeded in getting a favourable order passed. But the ordeal must have left it exhausted and distracted from pursuing its original purpose.

The other emotional driver is *fear*. To understand the driver, imagine from a buyer's perspective: '*What if a certain company grows enormous tomorrow and threatens my company's existence or market share?*' For instance, in October 2014, Facebook bought the mobile messaging service, WhatsApp, for $19 Billion in cash and stock – the firm's biggest-ever acquisition.

In their paper, *Big Tech Acquisitions and the Potential Competition Doctrine: The Case of Facebook*, Mark Glick and Catherine Ruetschlin, Professor and Assistant Professor, respectively, at Department of Economics, University of Utah, explained that in fear of fading away or being overtaken by new platforms, Facebook undertook a smart survival strategy of buying potential rivals. They wrote, *"Beginning in 2007, Facebook initiated a series of acquisitions of both its potential rivals in the social media market and firms in adjacent markets that could divert user engagement away from the social network. This tactic arguably propelled Facebook's growth strategy as the company overtook its main competitors. Today, with Instagram, Messenger, Facebook, and WhatsApp, the company now owns four of the most popular mobile apps in the US."*

Innovative start-ups pose competitive pressure and carry the potential to rapidly siphon off users to more desirable or innovative platforms, away from the larger firms. The acquisition of such start-ups serves the dominant firm by reducing the competitive pressure from potential entrants in the market, or by preventing future entry and expansion by similar firms that could undermine its dominance. WhatsApp's growth was gobbling up users' messaging and connection time that had once belonged to Facebook. Post the acquisition, those users and their time belonged to the Facebook umbrella, allowing it to own 'the next Facebook' and preventing WhatsApp from eating its lunch.

Greed and fear, the most significant drivers for an M&A, have been spotted in thousands of deals across the globe. But these are not always a deterrent to adding value to a transaction. When buyers analyse and pick companies to buy, while they're in total control of their emotions, wonderful stories get scripted. Buyers can spot business synergies, growth opportunities, and factors to boost efficiency.

M&A Industry in India and Lack of Education

Though the M&A industry in India is growing, it is yet to achieve maturity when compared to that of the US. Grant Thornton's report on India's M&A landscape showed a statistical comparison highlighting the nascency of the Indian M&A deals.

INDIA			
	2017	**2018**	**2019**
Deals	1,149	1,267	1,257
Value (in $B)	60.9	111.0	61.6
UNITED STATES			
	2017	**2018**	**2019**
Deals	19,296	19,757	~19,000
Value (in $B)	1,539.7	1,842.3	1,583.9

There's a mind-boggling difference in the statistics of both the countries. *'Why do we see such high numbers of deals and deal-values in the US?'* This is largely a mindset difference; investors in the US possess the maturity in exiting their investments. They believe in booking returns by encouraging founders to exit at the right time, and not holding on to their start-ups when future scaling could become tough. More than 150 advisory firms work with start-ups and large industries in the US to assist M&A deal flows. Unlike in India, where little to no education around M&A exists, in the US, education standards for the founders in exiting their start-ups are very high. Young founders in India carry irrational fear about acquisitions. Most find it hard to spot the set processes to adapt. VCs do not talk about it openly, and the industry rarely celebrates it. Thus, the lack of knowledge and discussions make entrepreneurial journeys hell, especially if the founders do not know enough exit routes for investors and importantly, for themselves.

Homigo, a real estate start-up that offered furnished spaces on rent to India's mobile youth, was founded in June 2015 by graduates of IIT Kanpur. They raised INR 1.4 Crores in a seed round in October 2015. Few years later, in March 2019, the founders were accused of absconding with close to INR 20 Crores from the deposits and rents paid by tenants, who resided in its 100+ leased properties across Bangalore. This multi-crore real estate fraud case became one of the most high-profile criminal cases in the Indian start-up ecosystem. As a consequence of their fleeing and being untraceable for weeks, the property owners asked hundreds of Homigo’s customers to vacate their houses overnight. The property owners were losing out on their rent, and the Homigo customers were at risk of losing their security deposit and lease amounts. It was a blow to both sides. To make matters worse, Homigo's employees reported that a mob of around fifty owners and tenants of Homigo-managed properties gathered at the company's headquarters in Bangalore and threatened their lives.

Shocked by the news, I wondered what could have led these young, under-thirty entrepreneurs to make such a choice that any sane person would condemn. While researching, I learned that the company was said to be in talks to raise around INR 14 – 28 Crores by March 2019. Also, there were ongoing acquisition talks with the Bangalore-based online home-rental marketplace, Nestaway. However, neither of the deals materialised, and Nestaway had to issue a notice to Homigo’s users that it did not possess their deposits.

It was saddening to learn about the incident, and I could easily resonate with the fears that those young entrepreneurs had felt. Surely their backs were against the wall when they defaulted on the payment to the property owners. But could they have taken a better route? Surely yes. But did these guys know the other possible ways? Wasn't it imperative for an investor or mentor to enlighten them with some possible options that they had before choosing a criminal route? Someone should have advised them to speak to their creditors to allow a moratorium period for outstanding dues, or maybe to offload a portion of their contracts and facilitate those directly between the tenants and landlords to avoid heavy cash outflow. Their mentors and investors should have propelled hiring a banker to aggressively hunt for a suitable M&A opportunity or maybe grant a bail-out by investing bridge money. At the least, they should have hunted for a chance to transfer the business to another company in a similar space that had a more robust credit facility.

I reckon that the founders of Homigo were superficially aware of these options, but lacked the courage to go forward with any of those.

But the question remains: *why?* And the answer is: *lack of education*. Period.

They did not have enough people who encouraged M&As or discussed failures. They lacked examples around them to show them how to critically weigh their available options. Though the promoters took a questionable, illegal route, the ecosystem – inexperienced investors, success-selective start-up-gurus, and unsympathetic media – everyone collectively contributed to the disaster. All they needed was a reassurance that one or more of these options could bail them out, saving them and their families from the resultant shame and troubles.

Jatin expressed that educating the young founders to aptly consider M&As should be an important agenda on the investors' list.

He said, "*Founders often approach bankers with a distress deal. While founders want to attempt trying out every possible trick to save their business, they get emotionally attached to it. I believe that investors should* *play a more active role in explaining to the founders that M&A is also a fruitful option and they should actively pursue this in parallel to fundraising efforts, and especially before exhausting all the other options. Young, lesser experienced founders naturally have a lot on their plate – technology, business, market conditions, and customers. Investors' advice can prove quite useful in guiding the founders to spot the right timing to exit because investors can see things from a different level – an outside view."*

He added that three out of four founders approached his firm to take their mandate for an M&A deal when their company was at the cusp of bankruptcy. I was no different. At GrabOnRent, we wasted nearly 18 months in finding out what could be the right time to exit. It took us painstakingly long to figure out that we should sincerely consider M&A. Even though this idea may have breezed through our minds, it never led to action until all other options were exhausted thoroughly. Imagine the business impact of losing one and a half years; the revenues plunged, half the customers were lost, the founders underwent excessive distress, leaving a lasting scar.

'Was it not the absence of education on how to deal with exits?'

Timing is crucial for a respectable M&A deal. A business that is at the verge of losing its financial and consumer strength is less likely to add value to the buyer, despite a cheap offer. It's rather advantageous for a prospective buyer to let a company die its natural death. Founders must be educated that an M&A is a function of time as much as it is about value addition. More breathing time, or runway, allows them to refrain from getting desperate and, instead, nurture a relationship with the prospective buyer to pique interest. Many founders accepted that when they approached the top companies in their segments to synergize acquisition deals, the lack of available runway in their businesses weakened their case; the prospective buyers let them die anyway. Only if they were in a better financial situation and had more time with them to pursue the deal backed by a decent runway, they might have reached a closure.

Founders must also recognise the fact that pursuing M&As is not the primary job of a CFO at a potential buyer-company, whereas running the corporation's finances is. Unlike VCs, whose focus on a daily routine is to assess investment opportunities, a CFO would treat M&As secondary. Sandeep Kannnambadi, the co-founder at MonkeyBox, narrated his horror of the exorbitant time the CFO of a potential buyer-company consumed to assess his company's acquisition opportunity.

He said, *"After failing at securing subsequent funds and running out of money, we were looking for a buyer who could acquire the company. And we got one. Their CEO was convinced to pursue the deal and assigned his CFO to dig into the financial details. But it never went through. The CFO was not motivated enough to take upon a job out of his routine. He did not care to recognise the value-addition. And we couldn't wait beyond a time. We had to call it a day and stop the operations."*

In a distress sale, it is never easy for promoters to part with a company that they had built over so many years, compromising on hundreds of spheres of life, giving up their comforts and stoically facing war-like situations. There are numerous examples where founders have found themselves reeling with depression and anxiety, seeking help for their mental health, and even locking themselves in a room for days. It is excruciating for someone to lose what they have built so lovingly. Yet, the ecosystem has made minimal effort to prepare founders to deal with a situation such as selling their company in distress.

There are a few ways in which one can choose to shutter a company in India, having exhausted most of the options.

Insolvency & Bankruptcy – Though introduced recently in 2017, it is catching momentum. An independent resolution professional is appointed by NCLAT – National Company Law Appellate Tribunal – to work out the sales of the assets and repay the creditors to the best extent possible, most honestly and transparently. For the DIPP – Department for Promotion of Industry and Internal Trade – registered start-ups, under the program 'Start-up India', the promised timeframe is 270 days (nine months).

According to Navrang Saini, a full-time member of the Insolvency & Bankruptcy Board of India (IBBI), out of the 3,455 cases admitted under Insolvency and Bankruptcy Code (IBC) by 31 January 2020, 265 were settled, 141 were withdrawn, and 198 were approved. As many as 826 cases went into liquidation, accounting for nearly 24 percent of the number of cases admitted. Close to 2,028 cases are still going on. As per IBBI data, financial creditors have been able to recover nearly 44 percent of their capital claims, while operational creditors have recovered almost 48 percent. The average time recorded for resolution was 397 days.

In all those 3,455 cases admitted under IBC, the company's directors were discharged from the encumbrances and liabilities of their companies, restricting the creditors from coming after their personal assets. The independent resolution professional acted as the authority to decide whether the company's assets must be liquidated to pay off the creditors or revive the company using one or more methods, including partial share-sale, acquisition, merger, or financial settlement with the creditors. Courtesy the shortened timeframe for DIPP-registered start-ups, IBC has emerged as a trusted and tranquil method to close down a company.

Voluntary Winding-up – It is a process through which a company's corporate existence is ended, and it is thereafter finally dissolved voluntarily. The process requires the company to produce signed NOC – No Objection Certificates – from all the creditors that it has worked with in the past, besides the no-dues certificates against statutory liabilities. Such a process may take anywhere between 2 to 3 years. The underlying susceptibility in voluntarily winding up a company is that until the company procures all the NOCs, any creditor could file a lawsuit against its directors, raising the cost of closing down.

And then there are ways of partnering with another corporation to infuse life in the business once again.

Joint Venture – This method consists of two parties contributing to the capital of an entity set up to engage in a common business venture, with the economic and governance rights shared between them. This method allows each party to venture and benefit from each other's synergies and expertise, and primarily depends on the existence of two companies who want to collaborate in a Joint Venture, with a little certainty in terms of timeframe.

M&A - Selling the company (all shares) & Business Purchase (Slump Sale) - A buyer may purchase all the company shares, or acquire the key assets such as team, intellectual property, customers, or unrealised revenues. It is a time and tax-efficient process as it does not require to be sanctioned by a court or a tribunal. Though it is difficult to ascertain the total time it may take, based on the interest of a potential buyer, it can anywhere between 2 months and 2 years before a deal is closed.

Higher valuations in M&As are witnessed when the buyers approach potential sellers. On the contrary, when a seller approaches potential buyers, it is deemed desperate, and the sale hardly earns a respectable valuation. Like any other trade, the valuation of a deal is determined by the demand-supply mismatch. Higher the demand, better the valuation for the seller.

CHAPTER 20

Case for M&A

A logical time to rebut an M&A is when you are at a primitive stage of seeding in a large market, and you hold a good chance of becoming the number one player in that market. If either of those is not true, then you should consider selling the company.

In 2013, Snapchat declined a $3 Billion acquisition offer from Facebook. At that time, SnapChat's users shared around 400 million snaps a day (about 4,500 snaps per second); an engagement that threatened Facebook. Snapchat was just two years into a large market segment – millennials who sought newer ways to share content. In 2020, SnapChat's market capitalisation sky-rocketed to $32 Billion – a ten-fold jump compared to Facebook's offer. Snapchat proved correct in establishing its number one position in the said category. At the beginning of 2020, its users engaged in sharing around 3 billion snaps a day (about 34,500 snaps per second).

In another example, TaxiForSure, then India's third-biggest cab aggregator, witnessed predatory market penetration by Ola. TaxiForSure believed that fresh from its INR 250 crore funding in July 2014, Ola was only trying to capture the market and could not afford to do so for a long time as it was losing money on every transaction. However, a bigger setback for TaxiforSure came when, in October 2014, Ola raised another round of $210 Million from SoftBank and its existing investors. For TaxiForSure, this would mean fighting for its survival in the game against Ola, in a war that would need a lot more cash. The need of the hour was to raise money. But the efforts were in vain. TaxiForSure recognised that it does not have a chance of becoming the number one player anymore – not without a considerable funding. Hence, it decided to pursue an M&A deal with Ola; and in March 2015, the company was sold for $200 Million.

After raising two bridge rounds for GrabOnRent, in October 2018 and in March 2019, we aimed to end the vicious cycle of depending upon investors' money to sustain the business and instead focused on yielding profits. We managed to shrink the expenses to an all-time low. In about a few months from there, the projections promised signs of the first profitable month.

In a wild turn of events, we found ourselves at the brink of exhausting every hope to rebuild the business. What changed?

First, the competition with deeper pockets began leveraging their positions by reducing their subscription prices to unsustainable levels. In just two months, their prices were down by more than 25%. We simply could not compete with them at such low margins. If the pattern had continued for months, the gap between our respective businesses would have widened beyond recovery. To ascertain whether pricing was the only disadvantage that we reeled under, we ran the biggest ever sale at GrabOnRent, slashing prices by a whopping 30%. The results were exactly how we had imagined. The company's sales moved up by more than 20% for that week-long sale period, essentially proving that customers were not loyal to one brand and that the prices alone controlled the transactions. It surfaced the need for a much larger fundraise to compete in the market and sustain.

Second, inventory utilisation started to drop simultaneously. We could not rent the inventory at a pace that we had anticipated for hitting profitability. The declining rate of new customers led to lesser revenue collection, but the business still owed the same EMIs on debt, eventually deteriorating the net margins. Stocks started to pile rapidly across all the warehouses and compelled us to liquidate tons of inventory to build space for repairs and refurbishments.

Third, the most obvious interpretation by any investor looking upon the business performance was that we were yet to find the right strategy. The growth had stagnated, and smaller sums of money from angel investors or family offices could not help us become a leading player in this domain. Hence, the paradox; no one would invest in the business because of stagnated numbers, but we needed money to showcase growth numbers. The market conditions were pointing us out of the race.

All efforts to put up a fight against the rusting fate and revive the business to profitability seemed a distant dream. We had always tried to work outside the competition zone, but the scenario wasn't the same anymore. It was about muscle power, and we stared at a high probability of being permanently disabled. The competition's strategy of slashing their subscription prices reflected the might of their bank balance; they were on a rampage to destroy every other company in the domain. To make matters worse, they were in the market to raise massive investment rounds, which would further distance the market-shares.

On a subsequent board call, we presented our views on why it is the right time to become a part of a larger group by pursuing an M&A. We had built expertise in areas of sourcing furniture and electronics, maintaining those through their life cycles, and liquidating those to earn salvage value. We reasoned that we could plug such expertise into a larger company to both our benefits. The board agreed.

The Preparation and the Pain

As a CEO, you prepare for important fundraising meetings by gathering the performance data, drawing cues from the future market outlook, and then laying down a roadmap that could lead to success. You are always enthusiastic about presenting your ideas and attracting funds into the company. But when you stand on the sell-side of a potential M&A deal, the process brings the exact opposite of this enthusiasm. The preparation for an M&A begins with crafting a pitch for prospective buyers, highlighting the chances of their success at the cost of shutting your company. After all, you must showcase their growth and their potential gains. It is painful when you deduce levers for the growth of someone else's company, fuelled by the death of your own. Provided there is an initial interest from the prospective buyer, you present the synergies, which could be built together, explaining how your company could add value to theirs. You promise to make it big with them, while you failed at yours. And it was no different for me.

Into the process, I continuously struggled with a question – '*Why am I feeling heart-wrenched while facing the CEOs/CFOs of the competitors?*' – before I could decipher the actual reason for the unrest. At first, the struggle appeared to be external – those are the exact people whose actions had troubled my company every day, and funding never came easy. However, the real reason turned out to be deeply seeded and internal – ego. Your ego suffers a blow when you try to accept failure, and it inherently forms repelling thoughts.

The reasons for a jolt to the ego were many.

It was excruciating to see that the team, which used to be quite active and strived hard for achieving the most audacious goals, breaking through every obstacle, was now passing through a turmoil. The founders who led from the front, creating impact, generating energy, and electrifying the office environment every day, were entirely diffused. The culture in the organization, which was visibly the pride of the founders, was missing.

I lived my highs and lows with almost the same people, both at work and in my close circle. The amalgamation of these two spheres had brought me close to each of these people for whom I cared. My journey was never short of spirit-shattering moments, and it was those friends who acted as pillars and shared the load. My brother, my schoolmates, my college friends, and my colleagues – they were all sources of continuous strength. They stood right by me during the best and worst outcomes without a judgment. It was terrifying to visualize how they might end up thinking that they had wasted their prime years in a company that could not fulfil their desires. It would mean that their bet on me, a leader whom they trusted to boost their careers, could fail miserably.

On several unpleasant occasions, I mustered the courage to share my vulnerabilities with them. I disclosed how dejected I felt when I lost control over the situation, and let the business deteriorate. Unable to find solutions, at times, I'd give them politically correct logics for resorting to bailouts because of the inability to raise enough funds successfully. I blamed market conditions for the shortage of sources or poor business performances. I did not act as a leader that I wanted to be. Often, the work-days at the office passed with zero productivity. In the absence of new initiatives, the second-in-line management was as clueless as the founders. For months, we appeared to be a group of individuals in apathy. The founders began to fall apart, first emotionally, and then professionally. External dependency was making things worse by the day. There were no decisions to take, and we resembled a bunch of sitting ducks, waiting to hear from the prospective buyers.

The team was cognizant of the fact that the company's ultimate fate was going to be an acquisition. And as a CEO, I couldn't expect them to be constantly motivated. Besides, the festive seasons of Dussehra and Diwali added the least wanted hurdles in communication with the potential buyers, further dragging the tragically slow M&A process. All the on-going discussions took a back seat with their respective festive sales plans taking the top spot. The pain had turned to terror when it clicked that we would not be able to pay the salaries beyond a month.

And when the buyer-companies take all the time in the world to move ahead, you encounter a question – '*What is the right time to get desperate?*' and the answer, more often than not, is unclear. The sooner you get desperate and ready to give up on the negotiations, the sooner you lose the command over a respectable valuation. While on the other side, the depleting bank balance never ceases to terrorise you with the limited runway, eventually tricking your mind into believing that the time to get desperate was yesterday.

Upon learning the state of the talks with potential buyers, the company's existing investors suggested us to reduce the costs and extend the runway; a seemingly improbable task, considering the ever-deteriorating revenues of the business. The losses were only piling up, never decreasing. Hardly any optimizations could come to our rescue to extend the runway even by a month. Our patience was being tested harder. I had never before been confronted by such an utter distress phase with no growth. The ego wanted relief and hinted constantly at me to undertake desperate measures, which would mean forgetting about bagging a reasonable valuation and selling the company to the first buyer who'd be willing to take up liabilities and future revenue-opportunities at any price.

Regardless of the situation, the teammates were the single source of positivity. Every time I elaborated the depressing conditions of the business and consequently their futures, the consistent response that I would get from them was – "*If we were so worried about our careers, we'd have quit a long back. We believe in you. We were well aware of the risks involved when we quit our previous jobs and joined you. You must not blame yourself as we believe you did your best, and we have no second thoughts about that. We'll stick with you till the time demands*."

It is earning of a lifetime to have people who believe in you. It makes you think deeper and ask yourself – '*What's bigger, your ego or their future?*', and when your teammates place such unconditional trust in you, how could your efforts depend upon any other factor besides their best interests? On the other hand, how could I let my emotions come in the way of generating returns for investors who believed in me when we had nothing. I was able to visualize the self-inflicted situation, on separating myself from the ego. The damaged-ego did not matter anymore. Thus, the fear of encountering my competition or losing my face value in the industry simply subsided. I realised that this is not equivalent to surrendering. It was exactly the opposite – facing the situations head-on and overcoming fears that were holding me back, to finish what we had started.

Another Bridge Round

Nearing the end of January 2020, we were holding three promising leads for M&A, but the company ran out of runway. We had invested more than six months into the M&A process and badly wanted to bring it to a reasonable closure. Thus, we proposed the investors a three-month extension in the runway to score a successful deal. Correct, another bailout. Yet again we faced an absolute refusal from the investors because we were betting on an uncertain outcome – '*What were the possibilities of scoring a deal?*' Well, this is a gamble one has to play to save one's investments. It was either a zero return (with no bailout money) or a chance to revive a large proportion of the invested amount (getting shares of a stronger company or cash). To tip over the investors' decision in favour of a bridge-round, then company's banker, Jatin Tehri, decided to participate in the round based on the probability of scoring a deal, which in turn provided confidence to the investors.

Against our interests, the board advised us to gather half of the said investment in the bridge round from the lenders, as they would be the biggest beneficiaries. They questioned, "*...if the equity money reached your bank, wouldn't it be majorly spent to pay EMIs to the lenders? If yes, why don't we ask them to grant a moratorium for three months and support us?*" Instantly, the haunting scenes from the previous negotiations flashed in front. Those three months of rigorous negotiations back in early 2019 took gruesome efforts in convincing the lenders that we weren't planning to abscond without paying their loans.

After revolting brainlessly on the call against negotiating with the lenders, at one point, I realised that the equity investors had a valid point – '*Why should equity money be used to pay the debt, which happened to be the highest component of the monthly burn?*', and that I was blinded because my exhausted mind wanted to jump to the most comfortable solution quickly. We had lost the vigour to revive the business and just wanted to repay the maximum liabilities that we could. Asking the lenders to contribute to the bridge round appeared challenging. It was the ego that built a wall of fear and screamed at me to stay away from reliving the negotiations and choose an easier path instead. But sanity prevailed.

In a month, the lenders agreed with the correct reasoning. We made it clear that the buyer would serve their outstanding liabilities, and the payment they forego now would be added to the outstanding sum. By the end of February 2020, we closed the bridge round with a single-minded focus of closing an M&A transaction and finding a new home for GrabOnRent.

Should I think about the next career option already?

The M&A process brought forth acute joblessness in my routine. The business operated on auto-pilot, courtesy my co-founder, Manish, who mostly took all the responsibilities. Following the latest bridge round aimed at concluding a deal, there was no other focus. I depended on the potential buyers to respond with term sheets. I found it hard to figure out what I was supposed to do during the intervals of delayed responses. The situations were controlled by external agents, leaving a minuscule daily involvement.

I resorted to investing my time in several other activities; I read books, followed a fitness regime, and traded stocks. While I enjoyed my positive stints at the diversified activities, I could observe something moving away from me – *focus* from the business. It is natural to find newer, more exciting pursuits compared to the older, dreary ones. I could envision a welcoming result – a greater enthusiasm for learning new subjects. Since none of those interests qualified for a one-day activity, I applied quite an effort in my quest to be better at them every day.

The same applied to planning a new career. I feared that I could easily get swayed from the goal to find an exit for the company if I indulged in researching career options. For a long time, I struggled to find the right answer. I wondered if it was reasonable to prioritise attending close-group meet-ups over marking my attendance at the office or sharing my situation with friends to seek career advice. I wondered – '*Should I begin today? Isn't it human to take care of yourself?*', and however easy or hard it may seem, it was eating me up from inside.

Eventually, the decision came through. Whatever be my choice, it would negatively impact the focus towards the business. I wanted to bring justice to what I had spent the last five years on and yield a fair exit. After offering it everything possible all this while, how could I abandon it in the last mile?

And thus, I firmly decided to park these thoughts until I completed what I had started.

Tackling Mental Health

CHAPTER 21

Cost of Entrepreneurship

To pursue the M&A deal for GrabOnRent, I approached businesses that operated in similar industries and sported a healthier balance sheet. The company needed a new home where it could thrive once again. A buyer would eliminate the angst of raising funds, at which I had been unsuccessful. It would mean to partner with a business that could leverage the subscriber base and the expertise built over the journey. Few months into those conversations, it was evident that GrabOnRent was terribly under-valued by the prospects. The large corporations found it difficult to align synergies because of its relatively smaller scale, whereas the comparable businesses sought to gain more by paying less – so less that it would fail to return even the principal investment for the equity investors, let alone leave a penny for the founders.

Hell started to break loose.

Since the dawn of my entrepreneurial journey, I have believed in creating a surplus in the ecosystem. The question was whether I had managed to create any. '*Did we add more jobs? Did we help increase the production of goods? Did we save money for our customers? Did we help the lenders generate returns?*'

To some extent, we did. We added more than 200 direct and indirect jobs in the production and distribution of goods, served more than 60,000 customers who relied upon our company's services for curbing their capital expenditure, and returned more than 90% of the investment made by lenders. However, upon honest introspection, it became transparent that the surplus was nowhere close to what I had aspired for. I regretted my inability to create the desired impact. The offers from certain prospects pointed at a poor return on the sale of the business. It was difficult to digest what would follow; the customers would forget the company, the equity investors would not recover their investments, and the team would lose the value of their stock options. Besides, I was at the cusp of making zero monetary gains after having invested five years into the business. The audacious goals, which I had set out for myself, turned upside down.

It made me plunge deeper into a pool of negative thoughts that started taking shape as a mental defeat. I became miserable from the inside, labelling myself an absolute failure. I played the past events in my mind on a loop, hypothetically creating scenarios where I had made better decisions. *What if* that investor agreed to put money in the business? *What if* I had avoided that route? *What if* I curtailed the burn? *What if* I were smarter at hiring? And it worsened every day. My pain was neither rational nor irrational, but it was very real. Accumulating guilt, I kept digging a deeper hole for myself. I could not muster the willpower to accept the imperfect past, and thereby allowed the present to deteriorate. The dearth of any initiative paralysed the workplace, too. The only constant was cost-cutting and avoiding creditors' calls. It was burdening to see a ray of hope in the eyes of the management team, awaiting a world-changing action from the founders.

Weeks turned into months, and I found myself waiting for that one victory, promising to turn things around. No one ever told me how ridiculously long it was supposed to take. My expectations heightened the cost of waiting. You never expected to graduate college in a year because you were told that it would take at least four. You were patient enough to follow the curriculum. At a start-up, there is no such certainty.

The '2012 CEO Snapshot Survey' by Harvard Business Review revealed that half of all CEOs reported feeling lonely, and 61% believed that it hindered their performance. First-time CEOs are particularly susceptible to this isolation; nearly 70 percent of first-time CEOs who experienced loneliness reported that it negatively affected their efficiency. Fellow entrepreneurs who had faced similar situations resonated that it can be difficult to speak with subordinates or the board members about their biggest problems and deepest fears, and friends outside the organization might not understand their unique challenges. Sharing their doubts openly may set off an alarm about their incapability as a leader.

Entrepreneurship as a subject is well-studied, but there is negligible discussion on the mental health and well-being of entrepreneurs. In India, most conversations revolve around workplace mental health for employees, but there are far fewer of those focusing on the mental health of the leaders. Ascent Foundation and Mariwala Health Initiative (MHI) studied nearly 200 entrepreneurs and highlighted the major causes of increasing issues surrounding mental well-being, and the effects upon entrepreneurs. Titled *Entrepreneurial Well-Being: Wearing Many Hats*, the study revealed staggering statistics among founders who were less than 15 years into their businesses: 52% of the surveyed founders found 'financial cashflows' as the top stressor, 51% reeled under the 'fear of failure', and 47% were burdened with a 'sense of responsibility towards employees'. These stressors among the younger entrepreneurs manifested in anxiety (55%), depleting physical health (42%), and isolation from the outside world (39%).

Every person who has donned an entrepreneur's hat understands that the adverse feelings accompanying the role are often unexpected. CEOs and other leaders measure great lengths to maintain a facade of unflappable confidence, concealing any insecurity or anxiety. But this cycle creates dangerous problems for both the leaders and their organizations. The reality is that entrepreneurship is an intense endeavour, and it's hard to separate the self from the business. Often, mainly because of the roller-coaster nature of entrepreneurship, some entrepreneurs consider it a personal setback, especially when they get so invested in their business. Entrepreneurs tend to identify themselves based on their work, which leads to their moods and sense of self-worth intertwining with the ups and downs of their businesses. The burnout then follows depression. Usually, first-time entrepreneurs acclimatise themselves to the initial high-adrenaline of the setup phase or the hyper-growth phase and lose any sense of meaning when things slow down – even if the business were still doing fine. Since there's a lot at stake, the constant worrying can lead to crippling anxieties.

Trials and tribulations are as much a part of an entrepreneur's life as triumphs and accolades.

It often results in finding oneself lonely at the top. Besides, the relationship with friends – at the cost of which the entrepreneurs chased their dream – rusts quickly. The cost of pursuing a start-up often separates the founders from a vivid social circle. They are less available for appearing in informal gatherings while probably reeling under the worries of the crucial A/B testing for next week's product launch or closing an investment term sheet to save the business from dying.

Many CEOs accept that they let their relationships deteriorate in the quest to build their companies. With every funding round, people around assume that their friends, who are start-up CEOs, get wealthier. They often undermine the pain that the founder suffered during the strenuous time of closing a financing round or the performance pressure that comes with a higher bank balance. Unfortunately, an illusionary bubble takes shape in social groups, where actively praising the founder on climbing the ladder of success further overshadows the insecurities of the bemused founder.

Admitting and giving in to pressures is still a taboo in our society. Many founders try to put up a brave face for the sake of the world's perception of them as business leaders. Founders fear that if they don't show agility to deal with pressure and stress, investors may start doubting their skills and capabilities. And if they reveal their vulnerabilities to their friends and acquaintances, they fear sounding underserving of their rank. Nikhil Taneja, CEO at Yuvaa, a mental health start-up, says the key reason for the absence of open dialogue is that people think it's a display of weakness. He explained, "*Vulnerability is considered weak. No top VCs or entrepreneurs talk about the pressures involved in a start-up. We may hear somebody every now and then talking about it, but that is less than 1% of the entrepreneurs over the world.*"

In my conversations with seasoned entrepreneurs, I learned that after encountering numerous nerve-wracking situations, they developed a natural resistance towards ill-effects when the odds stacked up against them. They stay vulnerable in their peer founder-circles. They find it a terrific opportunity to nurture a support system that brings a sense of safety and belonging; a community of fellow founders, in which most people have also navigated through the tough times, and are not hesitant to share love, leadership styles, or pitfalls, which they had overlooked during their stints. Upon confiding in others, seasoned entrepreneurs break the self-constructed barriers of isolation, which come with the job title.

Next, they have mentors who have witnessed their zeal in establishing a business, and who could remind them that there's light at the end of every tunnel. These mentors not only provide a safe outlet for a CEO to express concerns, but also give honest and unvarnished feedback. This collaborative relationship does not prioritise one person over another. Instead, it allows a CEO to regain perspective, align priorities, and adopt better management practices. Start-up founders will have at least two or three psychological breakdowns during their journeys, and if people tell it otherwise, they are not being honest. Seasoned entrepreneurs proactively yearn for a balance in their lives. They always stay present: they devote focus when at the workplace, and share a laugh over dinner with friends and family. They do not ignore one to compensate for the other. Most of them adhere to a fitness regime to stay physically fit. While a majority believes that exercising is a way to vent out stress, some find it the key to maintaining a mind-body balance.

Credited to the rising awareness towards one's mental well-being, some entrepreneurs resort to professional counsellors to solicit help. Despite having remained a taboo for decades, the barriers are not as stringent as before. Entrepreneurs have revealed that they managed to get back into a better state of mind not because of a motivational pep-talk that they received from a professional counsellor, but because those counsellors empowered them to reflect upon the challenges under a new light. It brought a fresh perspective to visualize the problems and helped count their blessings, which were deeply buried under the weight of the mighty wrath of their current situation.

Richa Singh, CEO at YourDost, a mental health consulting company, shared the importance of professional help for entrepreneurs. She explained, *"A CEO's mind is like a pressure cooker with steam inside, but without a regulator. The regulator signifies an external environment upon which you don't have control. So how would the steam escape? One way to let the steam go off is to speak with friends and mentors who could understand your current situation. The other is to increase the capacity of the pressure cooker – say from 5 litres to 10. It can then withstand more steam. Similarly, a CEO's mind can be trained to absorb higher stress when he seeks professional counselling early in the journey, rather than waiting until the pressure cooker blows off."*

A CEO undergoes extreme swing of emotions in a day. The intensity of the resultant stress is very high. Imagine a typical day – in the morning, a CEO signs a million-dollar deal and celebrates a huge victory, and by the afternoon, ends up firing an employee who had worked with the company for seven years. Hours later, the CEO learns that the employee in question has developed suicidal thoughts. Who do you think will take the blame upon himself? The CEO. That's the hard reality. Counsellors have successfully helped founders systematically gain a fresh outlook towards their struggles and find solutions by understanding their belief systems. And the best results have been witnessed when founders identified the early signs and opted for counselling before it turned into a menace.

Richa added, *"You don't wait to contract malaria or diarrhoea before you start physical exercises such as running or hitting the gym. You are conscious about the general fitness of your body. Similarly, you need to take care of your mental well-being to be better every day. You don't want it to become a serious disease later and undergo lengthy 18-session therapy. If you* *attend the stress at moderate and mild stages, it will not move to the latter stages – severe or critical. You'll be able to develop your resilience, understand your weaknesses and strengths, and come with a disciplined focus to perform your leadership role*."

Seasoned entrepreneurs admittedly highlighted that they hardly know the perfect mix of tackling emotional and mental stress. Yet, it does not stop them from trying to better themselves every day.

CHAPTER 22

Finding Refuge in Failure

Six months into the M&A process, the business worsened by the day, and with it, the hopes washed away. There was no deal yet to sign. In the background, a pattern had started to appear – a series of horrible results. We settled for three investment bridge rounds and, despite offering respectable attempts, could not realise the desired outcomes on each of those occasions. We, as a unit, resisted for nearly two years but could not change the fortunes and therefore consequently succumbed to accept an unpleasant end. We decided to wind up the business and liquidate its assets. It was the most painful period in my entrepreneurial journey, laying my lovingly built company on its deathbed.

While the company was nearing its end, my mental state started falling apart. I was neither a seasoned businessman nor a born leader. I found it extremely hard not to associate my self-worth with the successes or the failures of my business.

Abashed by the failure, I needed help. I began my quest for solace. I hunted for answers on how to cope with the failure of a start-up. To make matters worse, I found horrible guidance. I discovered the biases of the media. Online articles and blogs were filled with success stories of entrepreneurs who had struggled early on and then made it big in their endeavours. For instance, the famous story of Jack Ma, who was rejected by McDonald's on several occasions, and thereafter made a gigantic turn in life. And the story of Steve Jobs, who was first ousted from his company and labelled a public failure, and then later, upon re-joining, turned its fortune, making it one of the most loved consumer brands in the world. I found stories of how hundreds of entrepreneurs who found it mentally tough to navigate start-up hardships, to the extent of near-bankruptcy, *magically* cracked the code to emerge a winner. However, I could never find a concrete answer to the most important question – *how?*

How did they cope during that time of uncertainty? I failed to unearth anything useful that they did to develop mental toughness or the exercises that drove them out of their depressing times. I found stories on those wonderful 'Eureka!' moments of founders who changed the world but nothing on defeating the mental illness, which they must have suffered from during those utterly dreary days.

And I was all alone again. It was easy to say that I needed the inspiration to strive while keeping faith in my abilities to bounce back someday, and meanwhile, stay on my toes too, anticipating that luck would knock at my door. To understand luck, one must dive into its definition.

Luck is just preparedness meeting opportunity.

I could have waited for the opportunity by keeping the faith intact, but what about preparedness? How could I prepare myself to deal with the failure today? I figured why the stories scarcely covered failed-entrepreneurs. We, as humans, do not celebrate failure. We don't want to follow people who did not achieve anything lesser than success. It is assumed that no inspiration can come from listening to people who did not make it 'big' as defined by society. Yet, every year, thousands of founders, including me, fall for the same traps; committing the same mistakes as the others did in the past. We hear the venture capital community talking aplenty about failure being a great teacher. Yet they rarely open up about their busted portfolio companies – what mistakes they made, and what helped them survive mentally during and after the failure.

I set out to find the answers myself. After four months of intense research, which included reading scores of books, on topics such as failure, mental health, and spirituality, consulting a therapist, and then implementing those findings in my daily actions, I arrived at what I call – *discovering myself*.

It is rather straightforward that discovering oneself could be the solution to despair and helplessness. The answers that I was looking for were not meant to be found outside but rather resided inside me. Let me take you through what spoke to me the loudest.

Workings of Ego – Accept and Live in the 'Now'

The first discovery was identifying the reason for the pain. The pain that I was going through was some form of non-acceptance or unconscious resistance to reality. On thought level (mind), the resistance was in the form of judgment – I was guilty, or a victim of someone else's wrongdoing. On the emotional level (feelings), the resistance was in the form of negativity – sadness or anger. The more I let my mind and emotions overpower me, the more I spiralled down into a bigger mess. I noticed that my thinking and behaviour allowed the pain to build up so much that I began to derive a sense of relief from constantly victimising myself. I voluntarily – almost compulsorily – thought about what happened to me in the past and inflicted more pain.

On further dwelling, I recognised that it was the *ego* – a derived sense of self. Ego works in mysterious ways and needs constant feeding and defending. Ego most commonly associates itself with possessions (the more you own, the more your ego satiates), social status (the higher the number of people who find you accomplished, the higher the ego satisfaction), and similarly, physical appearance, recognition at the workplace, and education. Well, none of these is you. Ego feeds off the negative thoughts such as victimising yourself, blaming others, envying others' possessions or success, attributing someone else's wrongdoing to yourself – therefore deriving its satisfaction, as it cannot accept defeat. And that is dangerous for an individual as it blocks 'action'. It pushes you into self-pity.

I wanted to break free from the mysterious web called ego. I learned that there could be only two options when I find myself in an unhappy situation – either change it (make an effort) or accept it (surrender to reality) the way it is. If I wanted to take responsibility for my life, I must choose one of these and accept the consequences with no excuses or negativity. In my case, I had exhausted all options to revive the business, and so I denied my mind the chance to pollute me, by simply accepting the situation as it was. I dropped the inner resistance and made peace with the situation. I learned that my stress was caused by being 'here' but wanting to be 'there'. While pitying myself as a victim, I constantly thought about things such as – '*If I had done this instead of that, I could have been less miserable*, or *if I had taken the (supposedly) right decision then, I would have been a millionaire by now*'. I was not present in the moment. My mind continuously drifted into making up hypothetical situations, where the ego was winning.

Eckhart Tolle, the spiritual leader, described this concept beautifully. He explained, *"When you set out for a task, you start anticipating its result, whether it would turn out to be a success or a failure. The anticipation soon turns into yearning. And when you fail to get this utterly desired result, you get disappointed. You surround yourself with feelings of guilt, remorse, failure, victimisation, and jealousy – that's ego defending itself."*

What he said is this: you are not your mind. The mind keeps running an infinite number of thoughts every second. Eckhart suggests that you separate yourself from your mind and observe the thoughts that emerge without judging those. Thus, if you detach yourself from your mind and simply observe your thoughts, you will not succumb to the feelings of remorse or pride alike. You become an observer of what's going inside the mind and do not identify yourself with those feelings.

Let understand this concept. Imagine you are driving your car at a steady speed of 60 kilometres per hour. Suddenly, you see a pedestrian crossing the road in front of you. What's the first instinctual thought that arises? *Anger*. Correct? The mind tells you how stupid the person is. And the body follows the thought, generating anger. If you allow the anger to develop, you let it flow in your actions. That is, yell at the person. But if you separate yourself from the anger, you could observe – '*Okay, there's acute anger taking shape in my head*'. And that's it. Don't judge the thoughts, don't indulge it, and don't let the resultant feelings flow into your actions. Simply be an observer of how your mind works, because you are not your mind.

A mind is a wonderful tool, but a terrible master.

Eckhart further highlighted that you must accept that success or failure arising from your actions is not permanent. It is merely a situation in your life; not your entire life. What's permanent is that you were in a ‘now’ in the past when you did the said task, and currently you are in another ‘now’, where you have an opportunity to act on the next. You live from one 'now' to another. Similarly, your anticipation of a result or a reward is equivalent to a futuristic 'now', which you obviously cannot control. So, you must concentrate on how to make this current moment, the ‘now’, more peaceful. When you accept your current life-situation, there will be no negativity of the past or yearnings of the future. The ego and mind always associate themselves with time; past and future. And these are thoughts that the mind runs – ‘*In the past, I was hurt, and I'll be successful in the future.*’

Dropping this association of myself with the ego set the foundation to battle the negativity that I never wanted.

Effort is Enough

In the 6th century AD lived Belisarius, one of the greatest military generals in history. Yet, his name has been surprisingly forgotten by history. As the highest-ranking military officer in Rome under the Byzantine emperor named Justinian, Belisarius saved the Western civilization on at least three occasions from extinction. He won brilliant victories at Dara (Persia), Carthage (Africa), Naples (Italy), Sicily (Italian Region), and Constantinople (Istanbul). There were occasions when Belisarius massacred thousands of opponents to protect his emperor and the emperor's throne. He reclaimed far-flung territories on the command of his emperor, despite being deprived of resources and army. And how did his emperor reward him? No public triumphs; instead, he was kept under suspicion of stirring a conspiracy against Justinian. Belisarius’s victories and sacrifices were undone when he was sent to prison on several occasions, ripped off his titles, duties, and wealth. Later, he was blinded upon Justinian's orders and left on the streets to beg.

Globally, historians and scholars have criticised and argued for centuries about the mistreatment that Belisarius received from Justinian. Like all fair-minded people, historians are outraged at the stupidity, ungratefulness, and injustice subjected upon this great and unusual man. Well, the only man we do not find complaining about any of this, is Belisarius himself. Not when such gross injustice was done to him, not in his private letters, and not even during the end of his life. He believed that he was performing his duty. He knew that what he did was right and that he had done it well. That was enough for him. He could lead his men to win battles but could not control whether his emperor would appreciate him or be suspicious of alleged conspiracies.

In life, there'll be times when we do the right things, perhaps even perfectly. Yet, the results could be dismal. Be it a business you run or a book you write, at some point it'll leave your hands and go out into the world, open for everyone to judge. Your attitude defines what drives you toward your milestones – the truest efforts that you put in or the heart-wrenching judgments that you receive. In the end, it is on us to believe in what we stood for.

Bestselling author Ryan Holiday, in his book *Ego is the Enemy*, explained, *"It's far better when doing good work is sufficient. The lesser you are attached to the outcomes, the better. When fulfilling your own standards is what fills you up with pride and self-respect. When the efforts, not results – good or bad – is enough."*

He went on to explain that ego is the only limiting factor. It deteriorates your mind in thinking that you are entitled to recognition and reward. And if you do not receive the coveted outcome, it can lead the mind to self-victimise. John Kennedy Toole's book, *A Confederacy of Dunces,* was universally turned down by publishers. It broke him so much that he committed suicide in his car. Later, his mother discovered the manuscript and advocated on his behalf until it was published. Eventually, the book won the 'Pulitzer Prize' for excellence in literary achievements. Think again! What changed? The contents of the book remained absolutely the same. If only he could have realised that his efforts were enough and not driven by the rewards that he sought, it would have saved him his life.

Ryan concluded, *"One cannot let externals decide what our worth is. It's on us. Doing work is enough!"*

Act or there's nothing to live for

A criminal called Malcolm Little lived in the 1940s. He ran lottery scams, sold drugs, and eventually moved up to armed-robbery. One day in 1946, police tracked him down, and he was arrested in his apartment, which was full of robbed money, jewellery, furs, and guns. He was sentenced for ten-year imprisonment in Massachusetts jail.

Robert Greene, five-times holder of the New York Times bestselling author title, popularly known for his books on strategy and power, opines that there are two types of time in our lives – *Dead Time,* when people wait passively for things to happen, and *Alive Time,* when people are learning, acting, and utilising every second in the present. Every moment of failure, or any situation that we did not deliberately choose for ourselves, gives us this choice.

Malcolm Little chose 'Alive Time'. He began to read books from the prison library on religion, sociology, history, philosophy, and politics. He memorized an entire dictionary and copied it longhand page by page, precisely down to punctuations. He later described that he was immensely proud of learning so many words that he never knew existed in the world. He recalled reading during every free moment, in the library or his bunk. He considered books his alma-mater. He never worried about being held in prison and felt that he was truly free in his life otherwise. Years later, Malcolm went on to be recognised as one of the most influential black leaders of the twentieth century.

Yes, it would feel much better at that moment to be angry, aggrieved, and heartbroken. When injustice is inflicted upon someone, the usual reaction is to yell and resist. One might feel – "*I don't want this, I want that. I want it my way*." This is short-sightedness. Like others, Malcolm could have buckled down on his miseries while in prison – strengthening his network, planning his next heist, and becoming a better criminal. But it would have been still a 'Dead Time'. He might have felt alive doing it, even though he would slowly kill himself.

In other words, Robert Greene wanted to explain that so many of us fail to get ourselves out of trouble by resisting what *is* – the reality of the present. We lack the ability to examine ourselves and end up re-investing energy into the same patterns of behaviour that caused the problem to begin with – plotting revenge, passively waiting for things to improve, finding refuge in distraction, and thus, refusing to believe that our choices build our character. Ego drives the dead time, whereas, in the 'now', we can live.

I stopped resisting too. I paused the loops of memories and what-ifs that played in my mind and corrupted my actions. I gradually picked up a set of activities to lay my mind off the painstaking reality. I utilised my free time to upgrade my skills. I started learning to trade stocks, and still do. I picked up a book on trading, read hundreds of articles by experts, took up an online course spanning 50+ hours, and sincerely followed market news. I became better by the day. I started to make profits. It moved me away from the pain; I was not being controlled by ego – and I chose 'Alive Time'.

I resorted to reading books heavily, despite not having been an avid reader earlier. I picked up self-help books and prepared myself to look at unprecedented situations in the eye. I desperately wanted to uphold a strong mental state even while knowing that the company that I had built was living its final days. I read books on business, mental health, spirituality, and personal finance. It was highly engrossing to learn newer things, which I wished I had discovered before.

I firmly held on to my exercising schedule. I lost twenty-four kilograms of weight in twelve months by undertaking an exercising routine that I had prepared myself. Not giving up on my health during this time implanted special confidence. To this day, I exercise regularly, no matter how lazy the day was. And on the days when I don't, I find myself guilty of disrupting the regime.

One of the most transformational activities that I took up was to write this book. I revisited almost every event that I had lived with my teammates, investors, and customers. But this time in a happy space. Did anything change? They were the same events with the same people, but the experience seemed different. The only change was that I did not let my ego and mind dictate how I felt by reminiscing those events. I had a definitive purpose – to share my learnings with everyone who could benefit from it.

Confronting the brutal facts

In 1956, John DeLorean joined General Motors as an assistant to the Chief Engineer. He came into light for his astounding work in conceptualizing, engineering, and marketing the Pontiac GTO. More than five hundred thousand customers bought this car in a span of six years, massively boosting the profits for General Motors. He later founded his own company, Delorean Motor Company, but brought it down without selling even ten thousand cars.

Consequently, he became one of the most discussed professionals in the automobile industry for decades. His mix of outsized ambition, negligence, narcissism, greed, and mismanagement led to bad news, one after the other – taking his company to the verge of bankruptcy. How do you think he responded at that moment? He doubled down under his misaligned beliefs and was later arrested for illegally shipping $60 Million worth of cocaine, which he assumed was the best way to save his company.

Who do you think was to blame? Who made it worse? It was only Delorean himself. He found himself in a hole and kept digging until he made his way to hell. If only he had asked himself when to stop, the result would have been different. People make mistakes all the time. Founders fail to build a company carrying courageous goals, painters fail to find buyers for their art, and salespeople fail to deliver results in some quarters. But does that mean they should stop working? Isn't taking risks the backbone for innovation? The problem arises when people identify themselves with their work. They worry that any professional failure will also label them as a personal failure. It leads to fear of taking responsibility, admitting that they screwed up and then throwing good money after bad – the sunk cost fallacy.

Ego kills what we love. It makes us ignore the symptoms of a disease growing in our heads and embodies the fear of failure – making us take irrational, even illegal, actions to come out of a situation. Living in denial is the worst form of punishment to self. Yet, we all find solace in it – procrastinating the face-off, or accepting the mistakes, or putting a hard stop. And most of the time, instead of accepting what *is*, we screw it up beyond repair. Confronting the brutal facts is as important a step as working oneself out of the situation.

It happened to me all the time. I could not draw a line about when we should sell the business or shut it down. I refrained from the reality that it was time to shutter the company in which I had invested everything. I consistently delayed the decision to act on M&A. My identity was attached to the failure of the business, crushing my ego. I let the fear of failure build up inside my head.

Fear strengthens the ego – fear of failing, fear of what others would say, fear of drowning investors' money, or fear of letting the team down. The moment I surrendered to reality and made peace with the hard truth that I was the one who screwed up as an entrepreneur, things changed. I was not living in fear anymore. I told myself that I had made a million mistakes on my journey, and this is the time to bring the business to a rational end – an exit in some form. This concept relieved me of all the imaginary pressure that occupied my mind for months.

Love yourself

The kind of love I'm talking about here is different from what you try to find in others. Seeking love from your parents, partners, and colleagues is external, but loving yourself in each of your thoughts, choices, actions, experiences, and every conscious moment is internal. It is a commitment that you need to make to yourself. Loving yourself does not mean seeking pleasure in materialistic external means – taking a vacation in the Maldives or going shopping. I am not talking about external validations that temporarily seem to make you happy. Instead, watching the thoughts that emerge in your mind and the fear that grips you, observing where you find absolute peace, and which activities make you invest hundred percent efforts, and then committing time to regularly engage in those without anticipating the results – this is the core of loving yourself. This love is sacred, and there will be no conditions because you cannot cheat yourself. Your mind and body already have strong wiring for love. They know that love nurtures; it is gentle, accepting, and healing. Unlike fear, which strengthens the ego, love dissolves it. When you love yourself, you become humbler. You seek less external validation of your actions and, in the process, bring upon inner peace by satisfying no one but yourself.

Kamal Ravikant, an American businessman and author, devised a simple question for himself when he was at the cusp of utter misery and depression. He asked himself, "*If I loved myself truly and deeply, would I let myself experience this?*" And the answer is mostly a *no*. The question is deceptively simple in its power. It gently shifts your focus from wherever you are – whether anger or pain – to where you want to be. And that is what he described as love. You treat your mind and body as sacred places that should always be kept free of unwanted thoughts and feelings. And that's a straightforward and practical definition of how you should love yourself.

I also believe that you can love yourself only when you first forgive yourself. It is easy for us to forgive others when they commit mistakes, thinking that they might not know how it would affect you, or they might be new at this task and maybe they'll learn. Forgiving yourself takes a much bigger heart. It takes courage to remind yourself that the efforts you had put in, were in absolute good faith, you offered undivided attention to every crucial task at your business, and you were not in complete control of the results. Naturally, this is not what the ego wants to hear. It wants to blame others or victimise self. And that's why it takes courage to forget about the past at that moment, and constantly remind yourself that you are not identified with the results – good or bad.

Forgive yourself. And then start loving yourself. Make yourself a holy place for good thoughts.

These practices wondrously helped me prepare for the worst of times, and all I wished was that they had come earlier to me. These learnings also do not underestimate the pain that one feels. They mean that despite your negative feelings, you can still emerge sane. And isn't that what life is about? Why do you think boxers train so hard? So that they can take a few punches during a fight, much more than wanting to land more punches on their opponent. Similarly, these practices help you train. If you can make a conscious effort to bring it in your routine, it'll make you stronger from the inside in dealing with unwarranted situations.

Some people have asked me the question, "*When do I realise if I have healed?*" To answer that, I share this story.

It is believed that before Banzan became a great Zen Master, he spent many years in the pursuit of enlightenment, which always evaded him. Then one day, when he was walking in a marketplace, he overheard a conversation between a butcher and a customer. "*Give me the best piece of meat you have,*" said the customer. And the butcher replied. "*Every piece of meat I have is the best. There is no piece of meat I have that is not the best*.? Upon hearing this, Banzan became enlightened.

When we accept what *is*, every piece of meat – every moment – is apparently the best. When you become fully aware of the non-peace in your mind, accept it, and forgive yourself, the non-peace transmutes into peace. This is the miracle of surrender. And no one better than yourself can identify what constitutes your peace.

There will be moments when you'll know that you are not at ease. For example, Richard Bandler, co-founder of NLP (Neuro-linguistic programming), a methodology to understand and change human behaviour-patterns, decided to help an executive who had started hallucinating about snakes. The executive received various medical treatments, but could not stop hallucinating. Doctors kept him strapped to his bed in the mental hospital, struck off as one of the non-curable cases. In his attempt to heal the patient, Bandler brought bags full of rubber snakes and a couple of real ones. He covered the patient's bathroom with fake snakes and placed the real ones closer to where the patient would position his wheelchair, under the shower. Bandler then brought the patient into the bathroom, strapped tightly to his wheelchair. The moment they entered, the patient screamed chaotically. It must have been the scariest nightmare coming true. Bandler left the patient inside and shut the door behind him.

The patient continued to scream on top of his voice.

Bandler then entered the bathroom after a few minutes. And before the patient could scream again, he asked, "*Tell me which ones are real and which ones aren't? And then I'll wheel you out*."

"*Rubber snakes*," said the patient, motioning his head towards the ground, and continued, "*Hallucinated snakes*." Then moving his eyes a little further, he said, "*Real snakes*."

This caught Bandler off-guard as he could not have distinguished between the real and the fakes ones that easily himself, for they were so realistic. He wheeled the man out and asked how he could differentiate between the hallucinated versus the real ones.

The man said, "*Easy. Hallucinated snakes are see-through*."

The man was cured. He had known this all along. The reality was solid, and the hallucinations were see-through. But his fear was so intense that he lost touch with reality.

This was precisely the case when I lost touch with reality and started creating fear in my mind, and thinking of unsavoury possibilities. It was not real. With practice, I learned the lesson of letting go of the unreal imagery into which my mind had tricked me. Instead, I focused on the real ones. Fighting fear is as difficult as fighting the darkness. Rather find the nearest switch.

Fear can develop even through imaginary situations from spheres of life that go beyond the profession. For example, while writing this book, I wondered – '*What would people think about me? Talking about business was fine, but how did ego and love find a place in these pages?*' Well, my role was to identify the hallucinated snakes, the imaginary worries that I was inflicting upon myself, despite having a real, solid purpose – to help others stop worrying and start loving themselves.

CHAPTER 23

No Hard Feelings

In April 2020, we eventually decided to shut GrabOnRent and repay as many liabilities as possible by liquidating all the assets under management.

It was unquestionably a tough day. I never imagined that I'd be winding up the company when I had first started it. But the decision was rational. Despite our best efforts for the last two years to turn the company upside down with honest intent, we had failed. It was hard to accept the truth and even harder to communicate it to the team. Upon learning the news, the team was visibly in shock.

Amidst an indistinct chatter, one of the teammates spoke aloud, "*Shubham, is there no way to revive the company?*"

Before I could respond, another person added, "*Please tell us if there's some idea that you already have but find difficult to execute*."

And then another one spoke up, "*We are there for you. We don't want GrabOnRent to end*."

A chill ran down my spine. It was the culture that spoke volumes in the actions and speeches of the teammates who were not ready to give up on the dream yet. Unfortunately, all that I could offer was disappointment. With time, the management team could see through the founders' lens that the company had exhausted the possible options to jump back. Though the natural course for a team is to disintegrate upon the declaration of shutting a company, we were fortunate to have people who could look beyond abandoning the ship and side by the founders to finish what we had started.

On a personal account, the founders made peace with the decision. We did not resent the situation furthermore or spiral into a negative array of thoughts. Maybe because we had already navigated the phase of a heart-wrenching defeat earlier, when we were unsuccessful at securing the acquisition deal. We subconsciously knew that it was the end long before labelling it as one. A few days after sharing the decision with the team, Manish and I admitted to a surprising lightness in our heads. We could sense parting with what had been an inseparable burden that we carried upon our shoulders until now. What it allowed us to do was magical. We reflected upon the journey with no regret or bitterness. We could visualize the errors that we committed in a completely new light, drawing upon a new perspective. We remembered those terrifying moments of utter despair, which had left us helpless, and realised that we navigated through each of those times despite thinking it was the last day for the company. Not once, not twice, but in all those fifty situations, we figured out the answers.

We walked down the memory lane and recounted the happiest memories from the journey – how we built a great culture of belonging and freedom, how we established open exchanges of ideas as the norm in the organization, and how we empowered numerous local manufacturers and businessmen to look beyond staggered earnings and created a steady rental income for them during the five years we had been in business. Importantly, we recognised how we graduated in leadership over this time. We weren't the same 24-year-old lads who started the company based upon a single attribute – being risk-takers. We came a long way in acquiring knowledge in the manufacturing and distributing consumer goods, managing the supply chain for large-goods, and administering compliance for an equity funded company. We amassed expertise in sourcing goods from Indian and international manufacturers, financing those goods over their lifecycles, and understanding consumer behaviour in the used-goods segment. We gained wisdom on how industries compete for market share, how businesses are created or destroyed by decisions, which, in the first place, do not carry a right-or-wrong label attached to them, and how each person in an organization differs in skills and commitments.

We discovered 101 reasons for how a business could fail.

We shared the areas of improvement that we saw in ourselves and each other. We could detach ourselves from the weary mental load of failing and instead count our blessings. It had been an incredible opportunity for the founders to wander on unknown grounds and to test our potential.

The sun shone brighter.

"More than 90% of the start-ups fail, but 100% of the start-ups help the founders and the founding teams in knowing who they really are, reveal what they lack, accelerate maturity, and eventually better prepare them for future, than their non-risk taking peers." – Kunal Shah, former CEO at FreeCharge and currently the CEO at Cred.

Starting up and running a company is a journey of discovering oneself, and testing the acumen that one believes to possess. It is a natural order for start-up founders to try everything to build something that no one has ever attempted, and in the process, try to defeat odds of failure, which loom larger when compared to tried and tested activities. During an entrepreneurial journey, founders' strengths and weaknesses are magnified, allowing them a terrific chance to correct the course, day after day.

The same is true for sports. For instance, Virat Kohli, the captain of the Indian Cricket Team, was not the best cricketer in the world when he had started playing. He respected the opportunity he had gotten, to cement his position in the national team, rendering him indispensable. He then spotted a remarkable difference in the fitness standards of the Aussies when he went to play a test series in Australia.

He described, "*My training was horrible, I ate so bad, and was up until late every day. It was a horrible mindset. The 2012 season ended, and I was so thankful that it was over. Later one day, I stepped out of the shower and looked at myself in the mirror and said – you can't look like this if you want to be a professional cricketer*."

He resolved to change everything from the next morning, starting from what he ate to how he trained.

He explained, "*I was in the gym for an hour-and-a-half every day after that. Working really hard, off gluten, wheat, cold drinks, and desserts. It was tough. For the first two months, I just wanted to eat the bed sheet when going to sleep because I felt so hungry. I was craving taste. I was craving delicious food. But then I saw the results. I felt quick around the field. I would wake up in the morning and feel I had energy.*

From 2015, I changed my training again. I started lifting, snatching, and dead-lifting. It was unbelievable. I saw the result. I remember running after a ball in a Test series in Sri Lanka, and I felt more power in my *legs. It was 'wow'. This training was addictive. In the last year-and-a-half, it has taken my game to another level.*"

Virat's notable attribute is his commitment to be a better version of himself every day. He frantically wanted to climb to the epitome of his game and was prepared to scale miles for it. His weaknesses were exposed, importantly to himself, while playing at the international level, and it made him wonder whether he was the right fit to represent India. And he resolved to improve.

That's exactly what great entrepreneurs do. Great entrepreneurs do not shy away from honest efforts. They attempt to hone their skills, awareness, industry knowledge, and everything that makes them stay awake at night. It is also likely for them to fail, but that is true in so many other places too, and should not be a factor that cripples the self.

Australian batsman Steve Smith, another hardworking cricketer, was condemned for his involvement in a ball-tampering case while playing Test Cricket against South Africa in 2018. He was subsequently dropped from the Australian team, followed by a year-long ban on playing international cricket. He was shattered. He accepted his share of wrongdoings and honoured the punishment. But the incident only made him stronger. He trained harder, played domestic cricket, and returned in a sublime form. He made his comeback in Test Cricket at Edgbaston, England, on 1 August, in the first Test match of the 2019 Ashes series, and scored 144 and 142 in two innings respectively, earning him the Man of the Match award as Australia beat England by 251 runs.

As much as it is human to feel dejected upon failing, it is human to rise again.

> *"What doesn't kill, makes you stronger."*
> – philosopher Friedrich Nietzsche.

The sinusoidal peaks and troughs of emotions that I survived have inspired a prominent change in several tenets of running a company. While I was humbled by the tons of mistakes that I committed on the journey, I am thrilled to have discovered what almost certainly works. Some of those remodelled tenets would continue to be a vital part of my journey ahead, prudently applying those when I venture out again and diligently sharing those with the aspiring entrepreneurs so that they make fewer mistakes.

Relationship with people

Choosing a co-founder is laying the foundation of the company and is a preeminent relationship. While making the decision, I would look for someone whose weaknesses and strengths are different than mine. If both of us fall for the same traps, we would be letting the house to collapse even before it is built. I would spend considerable time in learning what drives the person and how he or she embraces situations good or bad. The relationship between co-founders stretches beyond sharing the same vision and includes several forms of supports – lifting one another when a series of dejections shatters the confidence, confronting the other about the biggest fears of making a choice when there are no right or wrong paths, and constantly fine-tuning the equation despite a previous stand-off.

Another momentous relationship is with the team, and at the time of building one, I would never hire people merely to get the work done. Instead, I would hire for skills that my co-founder and I do not possess. Each of those members forms the think-tank for a company that is yet to see its maturity. I would not settle for anyone less than a rockstar – any such compromise would invariably result in an expectation-and-delivery mismatch. When the business performance goes south, I would unerringly put to use each of their brains to find solutions. The acts of holding no secrets and staying vulnerable as a founder would almost certainly reciprocate in their actions, making them feel belonged and trusted upon. Whereas when the business performance goes north, or as planned, it will become even more crucial for those members to capitalise upon the momentum and I would encourage them to further up the ante – confidence feeds off success.

I have witnessed that people join and leave in every other position. Thus, I would yearn to make the processes agnostic to people as much as possible, avoiding the loss of information and especially, time to reskill the successor. At times, I expected the team to understand the unspoken logics behind arriving at certain decisions, and more often than not, I found them lost. As a CEO, I had an overarching view of all the cogs in the wheel and I assumed that the same was known to all. But I was wrong. It was only when I started translating a decision's deduction process to the team, they began concurring. There's nothing called overcommunication. A constant line of communication with the team ensures that they understand what is expected out of them and that they deliver through the thick and thin.

Also, I would not repeat the mistake of approaching investors only when the raising money became necessary. Underestimating the time to raise funds not only sways one from offering attention to the business and worrying about paying the salaries in the coming months, but also diminishes one's chances to prepare for bracing the impact. Instead, I would establish a sturdier connection with the potential investors, not solely to raise funds, but for a better comprehension of their psychology, investment thesis and fund-cycle, and keeping the relationship warm. It would allow them to adjudge the business potential over a ‘line’ – multiple instances of discussing the performance and the course of business for months, against over a ‘dot’ – expecting them to decide in one or two meetings.

Relationship with money

One of the initial mistakes that I made while building a relationship with money was to not realising how much money was needed. The simplified financial projections for the business proved to be disastrously short of the real-world plot. Similarly, the general industry benchmarks for delinquencies and NPAs did not apply as-is for our business. The results proved that those existing benchmarks were much lower than what proved to be true while operating the business. I would consider better assumptions and an adequate buffer for arriving at the fundraise amount. Through errors, I also learned that I should never spend the money that I didn’t have. In the anticipation of funding, I rolled out offers for various positions, increased the budgets for marketing and operations and puffed up every other perceptible expense. Clearly, I was wrong. The truth is – real money lies in the bank and not in a promise on paper.

Almost on every occasion, it solidified that time is money. Raising funds from multiple investors would not qualify as my first choice. Fewer the decision-makers, faster the money hits the bank. Similarly, I would continue to advocate savvier use of time among the teammates. Spending hours or days on seemingly scant problems not only sucks one’s energy, but also takes away the focus from the more important tasks. Time well spent on activities with a promise of a larger return is money saved. In a similar light, I would leverage technology as an accelerator right from the initial days and ensure that the headcount in the organization does not rise by the month because of the absence of automation. It is better to part with the pace of growth than it is to later part with people. Not investing time and money in building efficient technology cost us money, ate into the other resources and eventually, inflated the salary bills. With more money, comes more trouble. To not let the gap widen between the projected and actual business performance, I would continue to maintain a strong analytics team and keep a close watch upon the performance and its deviation from the projections. Losing sight of the money spent is as good as money lost.

Acknowledging that start-up exits are rare, I would carry M&A alongside fundraising. It will always be hard to determine the right time to sell your company, but if I fail to create options during the way, it will be even harder to develop such an option when going gets tougher. Thus, strategic investments will be a key – raising funds from large corporations that would directly benefit from a partnership. It will not only keep the relationships warm but also prevent from getting desperate and yielding insignificant sale value. Such hedging would protect the interests of investors and founders alike. While I must create wealth, realising it would be essential and building exit options could provide just that.

Relationship with myself

I am a firm believer in the definition of luck – preparedness meeting opportunity. Taking risks, an inherent trait of start-up founders, would continue to drive my actions of setting up big audacious goals and thinking 10X, and not 10%. Just as Rome was not built a day, great things do not happen quickly. Perseverance would cement its position as a critical trait and keep me from throwing in the towel during more strenuous times.

I would change the way how I heavily relied upon investors' opinions about running the company. Instead, I would take charge of the decisions, the choice and the outcome, and not let the interests of lenders and equity investors to take better of my judgements.

Without shying away from crediting due respect whenever necessary, I would refrain from seeking answers to unchartered situations from people who have not been involved in the business as much as I am. On the other hand, I would model the behaviour that I expect from the team – walk the talk. I would consider vulnerability an effective tool and not be scared of sharing difficult news with the team. And definitely not sugar-coat those. As much as I would dress optimism to sell the idea, at times to investors for raising funds and at times to people for quitting their jobs and joining my vision, I would aspire to set the tone of optimism in the team. I would inculcate an atmosphere that is resistant to quitting and entrust those teammates with taking important calls when necessary. Similarly, training myself would remain as crucial as training everyone working for the common goal. While I would constantly re-skill and seek knowledge to stay ahead of the company's growth curve, collective-learning for the teammates will be a part of an ordinary day at the workplace.

I would drop the connotations of success and failure. After all, failure for one is success for another. Ego would not be the driver of my actions and instead, honest efforts would. I won't get stuck knee-deep into labelling myself. I would not associate my self-worth with the business and not let guilt override my thinking. And importantly, I will continue to remain a student of life – what results my choices have brought and what they have transformed me into.

Conventions favour highlighting the stories of success, somehow forgetting those who could not script one. It is believed that there is little to learn from entrepreneurs who could not make a killing. On the contrary, I reckon that it is important for aspiring entrepreneurs to learn from the mistakes of other founders, and avoid repeating them, to eventually reduce the infamous 90% failure rate of start-ups.

The ones who take risks are innovators, and the ones who take cues from others to avoid similar pitfalls, are smart businessmen.

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It took shutting-down-a-business to publish this book – a collection of lessons that I gathered in my journey. I truly believe that there's something for most of us to pick from this book.

Do spend a few minutes to tell me about your experience of reading this book. I'd love to read your review on the website (Amazon / Flipkart) from which you purchased it.

Your feedback will help me relay the message of the book a long way.

Shubham

Have something more to say?
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