

## Secrets of enterprise

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Passion, determination, vision, agility, team play, fundraising skills... What exactly defines the DNA of a booming startup? What do some of the biggest names in the investment community look for in startups and entrepreneurs? What key factors do successful entrepreneurs attribute to their triumph? Samidha Sharma, Shilpa Phadnis and Sujit John capture their thoughts and experiences.

### Insights from investors

- VINOD KHOSLA (CO-FOUNDED SUN MICROSYSTEMS, NOW RUNS KHOSLA VENTURES THAT MANAGES FUNDS OF OVER \$1 BILLION)

We look for startups addressing large, interesting markets. It's important not only that startups succeed, but that the consequences of that success are large. Startup investment is based on the premise that you can make ten times your money, and that's not possible if the markets are small. We look for really good entrepreneurs, those who can be agile. Since we focus on startups doing things that have generally not been done before, it's really important that entrepreneurs are agile; they can change plans rapidly, come up with new ideas, zig and zag wherever the road leads to. Some people are too traditional and they only do what they have done before, and those don't make good. We look for really good technologists and at technical breakthroughs.

(We look at) those that cause disruption and give the startup an advantage. I see too many people in the investment world chase what is successful. If Amazon is successful, you will have a lot of people trying to chase ecommerce. I found not enough people were doing startups for the bottom 3 billion people on the planet. I understand why people don't do it; it's because the bottom 3 billion people don't have much money. But I thought that was an opportunity because there is not much competition there, and it also makes me feel better. It's a personal indulgence. When you look at the bottom 3 billion people, almost everything is a problem.

- SAM ALTMAN (PRESIDENT, COMBINATOR, ONE OF THE TOP STARTUP ACCELERATORS IN THE US)

Determination: That's the main trait our top founders have in common. Airbnb launched something like five times before taking off, and at one point, the founders had maxed out at least our credit cards and were selling collectible cereal boxes to stay afloat. Adora Cheung, founder of Homejoy, pivoted through 13 deals before hitting the right one; she even slept in her car for a while. Just last year Homejoy raised over \$38 million. Their key is to be a cockroach to keep going no matter what. Keep your burn low, talk to users, and just keep building.

Intelligence leadership, clarity of vision and domain expertise: I remember standing in the kitchen of Paul Graham (co-founder of Y Combinator); I wrote a cheque with no name in the "to" field to Patrick Collison because his company didn't have a name yet. It was first called "devfinance", and is now called Stripe. Patrick said something like "I'm going to transform financial services, but I'm not sure exactly how yet".

Earlier this month, Stripe announced a \$70 million financing round at a \$3.5 billion valuation. I gave the cheque to Patrick because he fit all five of the above categories. Stripe provides a way for individuals and businesses to accept payments over the internet, started before it was cool for very young founders to take on very established industries, and the prevailing thought from people I asked was that it was never going to work because Patrick knew nothing about the industry. But he really understood the pain developers face when trying to take payments.

- VANI KOLA (MD, KALAARI CAPITAL, WHOSE PORTFOLIO COMPANIES INCLUDED SNAPDEAL, MYNTRA (ACQUIRED BY FLIPKART), URBAN LADDER, ZIVAME)

Listening: Of all the skills, listening might be the most important. You need sharp antenna to manoeuvre fast-changing markets. Every business continues to pivot. Data is not a big secret. How you synthesize data drives the decision. Listening doesn't mean you do what someone tells you to. It means that you are a good collector of data from many sources and you use this to arrive at a decision quickly. It's like solving a jigsaw puzzle. Commitment: It is a long road. How likely are you to stick with ups and downs!

Leadership: Can you create and inspire a team that wants to follow you and accept your lead. Integrity: Cutting corners cannot offer a long-term value creation.

When Kunal and Rohit (founders of Snapdeal) reached out to me, it was one of many such emails. Usually emails offer no reason why I should make time for them. But, such their email had insight. It made me think about the opportunity in India to help small businesses create and manage demand. So I was enthusiastic about meeting them. When I meet, I want to understand the value proposition and insights fast. How the entrepreneurs answer and keep up with the pace matters to pursuing further conversations. Their knowledge, confidence, attention to detail, and vision are all on test for rapid fire conversation. In this case, I thought they were fantastic. In 2009, while I saw close to 100 business plans, Snapdeal was the only investment I made.

- NAREN GUPTA (SILICON VALLEY-BASED CO-FOUNDER OF VENTURE CAPITAL FIRM NEXUS VENTURE PARTNERS, WHOSE PORTFOLIO COMPANIES INCLUDED OLX (ACQUIRED BY NASPERS), NETMAGIC (ACQUIRED BY NTT), GLUSTER (ACQUIRED BY RED HAT))

Exceptional entrepreneurs are great salesmen, without appearing to be salesmen. Does a hoodie-wearing Harvard drop-out, a computer science PhD working on probabilistic algorithms, or a nerdy guy with thick glasses evoke the picture of a classical salesman? These entrepreneurs reframe their pitch on the fly depending on the audience. If you reminisce about the elevator pitch, you are surely a dinosaur. Exceptional entrepreneurs have a sense of urgency and expect everyone around them to have a sense of urgency.

They respond and decide expeditiously, don't indulge in long rambling meetings, and even hurry to the bathroom. Exceptional entrepreneurs focus on serving an unmet or emerging need, not on technology process. Note the use of the singular "need". When an entrepreneur pitches how the solution will serve 5 or 10 needs, we tend to run away. We met Anand Babu Periasamy (founder of cloud storage company Gluster) about six years ago. He was raised by a widowed mother, went to

a small engineering school and fell in love with open source before it was clear that open source could be the basis of solid business models. At our first meeting he was able to explain in 15 minutes why storage would become software-driven and why open source was the right model without the use of PowerPoint. He sounded like a kid in a candy store. After the first meeting we agreed to be investors if everything checked out.

Three years later the company was acquired by Red Hat for over \$100 million.

- SAMEER GANDHI (PARTNER AT ACCEL PARTNERS, WHOSE PORTFOLIO COMPANIES INCLUDE FACEBOOK, FLIPKART, DROPBOX AND SPOTIFY)

I like to find a real personal connection between the entrepreneur and the need being addressed or problem being solved by the startup. It is difficult to find a substitute for the authenticity of real world experiences which drive an entrepreneur to start a business to first solve a problem for themselves, but then fulfils a broader need in the market. Entrepreneurs must have something to accomplish or prove beyond just building a successful company. It's what excited us early on when we met Sachin and Binny Bansal (of Flipkart) — their unwavering commitment to bringing the best possible service, price, and selection to all Indians.

Entrepreneurs need to have conviction, especially in the face of obstacles, naysayers and doubters. We have seen great outcomes when entrepreneurs are good at breaking large market problems into smaller experiments and iterate fast. Mukesh Bansal was able to manoeuvre Mynt through two pivots and make it India's largest online apparel company.

Greg Duffy attempted to set up an IP camera for home security and surveillance as a favour for his father. As an engineer, he thought it would be easy to get it working. It turns out that none of the existing products was even remotely easy to use for Greg, let alone the average person.

Out of this frustrating experience was born Drop cam, which in four short years was acquired by GoogleNest for over a half billion dollars.

### Lessons from entrepreneurs

- SACHIN BANSAL (CO-FOUNDER & CEO, FLIPKART, INDIA'S BIGGEST E-COMMERCE COMPANY; FOUNDED IN 2007, VALUED NOW AT OVER \$11 BILLION)

Sharpen your focus. Set tangible, but achievable, milestones. Don't do too many things at the same time. Carve out your primary goal and then work single-mindedly towards its success. Spreading your resources too thin will only result in half-hearted results across the board. When we started Flipkart, we spent more than two years perfecting the experience in the books category before moving to consumer electronics.

Fail fast. Resources and time are at a premium, so entrepreneurs must focus on what gets them the best returns on investment and let go of everything else. We did that with Flyte (the digital music store). Get the right investors. If you get investors, make sure they understand your vision and give you the freedom to chalk out your own path. Find the right team. Our bar for talent is extremely high. We learnt early on that it's better not to hire at all than to settle for people who do not fit into your vision.

When we launched the consumer electronics category and were looking for ways to increase sales, we met some of our older customers to understand their sentiment. One vocal customer said even if an electronics product was 20% cheaper, he wouldn't buy it online since we didn't provide any post-sales support. That was an eye-opener. And once we dug deeper, we realized there were many who felt the same way. That's when we came up with the 30-day replacement policy. It helped us realize that our experience in one category could never be the blueprint for another.

- DEEP KALRA (FOUNDER & CEO, MAKEMYTRIP, TRAVEL BOOKING PORTAL WITH MARKET CAP OF OVER \$1 BILLION)

Choose a business you love. You must have passion and belief in what you are doing. Do not get involved with something just for the sake of jumping onto the bandwagon. When I decided to venture out on my own, the choices finally narrowed down to online stock-broking and online travel. I had been an investment banker but had a real passion for travel. So I knew where my heart was, and that made all the difference while keeping my faith during early struggles and hardships.

Focus on customer needs. Research, research, research. Many a great idea has not seen the success it deserved because it was ahead of its time.

Patience is a virtue... Don't give up at the first downturn or the second or the third...

Hire better than yourself. Get the team right it is the single most important determinant for success. Everything else can and will change! Share the wealth with your employees.

Lastly, one should be a karmayogi and not focus too much

Lastly, one should be a karmayogi and not focus too much on exit ... rather, enjoy the journey.

Following the dot-com meltdown in 2000, our investor eVentures withdrew from all their investments in the country, including MakeMyTrip. Saddled with a young business still in the red, the choice was to either wind down the company and go back to the corporate world or somehow muster further investment behind a potentially viable business. There was virtually no appetite for a B2C internet play. I decided to back my instinct and invested all my personal savings in the business. I right-sized the business and focused on turning profitable at the soonest. We turned profitable in 2003.

- V S S MANI (FOUNDER & CEO, JUSTDIAL, LOCAL SEARCH VENTURE WITH MARKET CAP OF OVER \$1.7 BILLION)

Innovative disruption is key. Change is integral to evolution and will always be a perpetual phenomenon; the key to survival and success is through disruption. The rule is clear disrupt or be disrupted. At Justdial, we have a track record of constantly disrupting other business models and, in the same breath, disrupting our own model several times in order to be relevant and ahead of the curve for our users. I think successful companies stick with what they are really good at but also constantly look for points of inflection.

And inflection points are those when you notice that technology or consumer habits are changing. Focus on your product. We understood our users expected fast, accurate and relevant results and we concentrated all our energies therein.

Apply insights. Observe the world around and you are bound to get many insightful cues. Manage money wisely. That's the only way to ensure cash keeps flowing and bills get paid. My constant advice to a budding entrepreneur: be frugal.

We have constantly recognized and capitalized on market transitions before they happen and adapted the business model. We realized that with constant connectivity and major behavioural shifts from voice to computers to laptops and now to smartphones, users would soon want more out of a search engine. So we made search more relevant by making it more accessible and actionable. Now users can order food, book a doctor's appointment, get tickets, discover the best prices and shop online on our portal.

- SANJEEV BIKHCHANDANI (FOUNDER & EXECUTIVE VICE CHAIRMAN, INFO EDGE, WHICH OWNS JOB PORTALNAUKRI.COM, MARRIAGE PORTAL JEEVANSAAATHI.COM, AND PROPERTY PORTAL 99ACRES.COM. IT HAS A MARKET CAP OF \$1.6 BILLION)

Find unsolved problems. Companies succeed because they solve and understand the unsolved problem and come up with solutions that are very different from what others do. Put yourself in the customer's position; perhaps you would have experienced a pain point yourself. You may not fully understand the difficulty unless you experience it yourself. Develop deep customer insights. Consumer insights tell you a lot about the areas you need to focus on when you don't know what that unsolved problem is. you don't know what that unsolved problem is.

Be an early mover in the space you want to be in. Your chance of success never goes down.

Pick the right team. The team should be as motivated and passionate as the founder. Ensure the size of the opportunity is huge. In our case, we knew the market was big. There were no venture capitalists in India when we started our business. Those were the days of dial-up internet access with poor connectivity but we could make do with what we had. In those days, we had to manually upload job listings ourselves and I had a back-end team that was engaged in manual operations of uploading a few hundred jobs. Six months after I started, I got my first customer -a mid-sized auto components company. They wanted to advertise with us for six job positions on our site. I got paid Rs 350 for every job listing and got my first payment of Rs 2,100. I was elated that I had a revenue model.

- DEEPINDER GOYAL (FOUNDER & CEO, ZOMATO, RESTAURANT DISCOVERY PLATFORM THAT IS NOW PRESENT ACROSS 22 COUNTRIES AND COVERS 1 MILLION RESTAURANTS)

Focus on what you've set out to do. Make sure it's something that you'll be happy thinking about many years down the line. Fundamentally, building a startup takes time. It has to be something you are really passionate about and are committed to day in, day out. Patience is absolutely paramount. Chalk off what you don't want to do. It's a good thing to do this when you're young so that you have more years to do what you actually want to. Follow your intuition, take risks. If you make easy and safe choices, very little worth remembering will ever happen. Understand what people want. What do they see in your technological innovation and the fundamental problem you are trying to solve?

Get lucky. Even with a great idea, an amazing team and solid execution, a little bit of luck comes in handy.

Late last year, we were in the process of launching in three new markets, and also raising a large round of fund ing. Meanwhile, I was in the hospital with my wife who was expecting our first child.

But things needed to keep mov things needed to keep moving, so I had colleagues come to the hospital with the funding papers. Half an hour after our beautiful daughter was born, I stepped out, switched on my phone and got back to completing the funding formalities. In the span of one morning, I became a father and Zomato raised \$37 million. All of this means having to maintain a solid work-life balance.

While I'm extremely passionate about what I do, I also look forward to coming home and putting my baby girl to bed every night.