Have start-ups benefited from expensive Silicon Valley recruits?

Three high-profile exits, all fractious, in recent weeks puts focus on the millions spent on talent from the Valley

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NEW DELHI/BENGALURU

For India's top start-ups, recruiting from California's Silicon Valley is like a badge of honour. If an Indian unicorn—a start-up valued at $1 billion or more—can attract senior technology and product talent from companies such as Google Inc., it means the start-up has truly arrived in the big league.

Executives at Google, Amazon.com Inc. (which is based in another US state, Washington) and other premier tech companies have built products and services that are used by hundreds of millions of people every day.

Fresh from raising billions of dollars and with ambitions of building mass businesses, Flipkart, Zomato and a handful of other Indian start-ups went in hordes to the Valley last year, eager to attract top tech and product talent with fat salaries and even more alluring stock options.

On the other hand, Silicon Valley companies employ thousands of quality Indian-origin engineers and product experts, many of whom are eager to return to their homeland, especially if Indian companies can match their financial expectations and offer challenging work.

It seemed like a perfect match.

In all, more than 30 Silicon Valley-based executives joined Flipkart, Myntra (owned by Flipkart), Zomato, Snapdeal and a few other start-ups last year. Flipkart-Myntra accounted for more than half the hires.

Fast forward to today, and the jury is still out on whether spending millions of dollars on recruiting talent from the Valley has worked out well for Indian start-ups.

Already, three hires from the Valley—Flipkart's chief product officer Punit Soni and two of Zomato's successive product heads Tanmay Saksena and Namita Gupta—have left. These three executives, along with Flipkart technology head Peeyush Ranjan and current product chief Surojit Chatterjee, were among the highest-profile hires out of the Valley.

Flipkart didn't reply to an email sent last week. Zomato declined to comment.

The three exits were all fractious and point to major cultural differences in the working styles of Indian start-ups and Valley-based companies, said recruiters and executives.

The rosiness of last year's India calling has been replaced by caution and, in some cases, even bitterness on both sides, they said.

"People from Silicon Valley companies are used to working in places where there's some sort of democratization of power and where there are systems and processes," said a recruiter who works with top Indian start-ups. "In many Indian start-ups, entrepreneurs still like to wield a lot of control, and instead of controls and processes, you have chaos. There's obviously a cultural mismatch. What is needed is management of expectations from both sides, transparency about what they are getting into and patience. Unfortunately, patience is not something you can afford when you're expected to show 2-3x (times) growth."

More than a dozen start-up executives both from the Valley and others that *Mint* spoke to echoed the recruiter's views.

They said other challenges for Silicon Valley executive include working with Indian entrepreneurs, who they said tend to have high expectations but little willingness to share power and authority. Additionally, the hefty salaries commanded by Valley hires put them under immediate pressure to deliver ambitious targets set by entrepreneurs, the people said. They spoke on condition of anonymity as they don't want to spoil their relations with entrepreneurs.

What adds credence to the view that Indian entrepreneurs are a demanding lot to work with is the fact that all the founders of Indian unicorns are still at the helm. In the US, investors force many start-ups to recruit professional chief executive officers (CEOs), who tend to be older and more experienced at running companies.

These CEOs bring a more orderly fashion of doing things amid the chaos of start-ups and often free up founders to focus on innovation and long-term strategy. For instance, many well-known tech companies such as Google, Apple Inc. and Cisco Systems Inc. recruited outside CEOs only a few years after starting out to varying degrees of success. Equally, however, many others such as Microsoft Corp., Facebook Inc. and Oracle Corp. continued to be run successfully by their founders long after starting out.

Yet, in India, no large start-up has yet hired a professional CEO. Some start-up founders tend to micromanage, said the people cited earlier.

"Often, founders have expectations that are impossible to achieve. At the same time, they are unwilling to give you any kind of meaningful freedom and control. There are systematic issues and operational issues at Indian start-ups that have been brewing for the past several years. Hiring new talent cannot change things overnight," a Silicon Valley hire said.

On the other hand, some Indian entrepreneurs said that executives hired from the Valley failed to act fast enough and adapt to changing needs of start-ups. "The speed of the consumer Internet industry requires the businesses to change and adapt very fast. It does not allow people to get the learning time," the entrepreneur said.

Several point out at the on-ground challenges that start-ups have to face.

"India has its own unique challenges and very different than what they are in the Valley; therefore, agility and adaptability is critical to be successful here," said Prateek Srivastava, founder of Basil Advisors, a human resource consulting firm.

Indian companies are driven by hierarchy, where decisions are largely taken by founders, said Gaurav Agarwal, co-founder of healthcare start-up 1mg, who moved to India after working for more than a decade in the Valley with companies such as Zynga and NetApp.

"In the Valley you have a lot of creative freedom and you are taught not to take anything on face value. You could have heated debates, public spats with your CEO and even then you had the liberty to do what you felt was right. In India, because of our culture what your superiors and senior are saying," he said.

To be sure, many Silicon Valley executives continue to work and thrive at Indian start-ups. Executives such as Ranjan and Chatterjee at Flipkart have seen their roles expand over the past three months. Myntra's technology chief Shamik Sharma, who joined the online fashion retailer in late 2012, is well respected by company insiders and is a key part of its leadership team.

Recruiters said Indian start-ups are likely to continue to hire talent from the Valley.

"People in the Valley have built and managed businesses that are massive," said Anuj Roy, senior partner at Transearch, a recruitment firm. "That kind of experience and skill sets will be invaluable for e-commerce companies in India. It is rare to find that kind of talent in India at the very top level, especially on the product side. I think Indian start-ups will continue to hire from the Valley, even if the approach needs to be tweaked."

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Culture divide: *The resignations of Flipkart chief product officer Punit Soni and two of Zomato's successive product heads point to major cultural differences in the working styles of Indian start-ups and Valley-based firms, say recruiters and executives.*

would put its rivals to shame.

Alibaba-backed Paytm said in an April 2015 interview with *Mint* that it will generate annualized GMV of more than $4 billion by December 2015. In an interview this February with the hitting $10 billion in GMV by this December.

Zomato

The restaurant-discovery service ended 2014 on a high note. After closing a big round of changed its top priority towards becoming profitable.

Ola-Uber

Cab-hailing services Ola and Uber claim numbers that cannot be reconciled.

untruthful. Or maybe both?

It's been one month since they made their respective projections. Neither Ola nor Uber responded to emails seeking comment on whether they have achieved their goals.