

FUND CRUNCH

Hiring at start-ups: Consumer Internet's loss is enterprise's gain

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BENGALURU

Do you have enough money for the next year?"

That was what an employee who quit one of India's best-funded food start-ups wanted to know from the founder of an enterprise software start-up that wanted to hire him.

"I wasn't sure if I'd have my job (at the food technology start-up) next month," said the employee, who picked up the offer. "I saw my colleagues being let go and wanted to move before anything happened. Sure, consumer companies give you a lot of money, but the pressure is relentless. If you have just one bad month even after a good year, you are out. One day, the manager walks up to you and lets you go, and that's it. So, I joined this business-to-business (B2B) start-up because I wanted job security," he said requesting anonymity as he is not authorized to speak to the media.

Tough times for consumer Internet are helping tightly-run enterprise software start-ups attract talent easier. The slowdown in venture funding seems to have led both investors and employees towards them.

In the November-April period, the number of new employees in e-commerce companies fell 61% from the six preceding months, according to data from hiring start-up Belong.co. In the same period, the number of new employees in software-as-a-service companies increased 32%.

Enterprise software start-ups suffered last year as talent, especially in computing, flocked to well-funded consumer Internet firms such as Flipkart, Snapdeal, Ola and even small start-ups such as TinyOwl, Housing and Grofers, which offered high salaries. However, starting late 2015, start-ups such as TinyOwl and LocalOye started firing people to cut costs; this year, even the likes of Flipkart and Snapdeal have cut hiring as funding dried up.

Flipkart last week deferred the

joining date of graduates from the IIM Ahmedabad.

Because consumer Internet start-ups aren't offering multiple jumps in salaries, expectations of potential recruits have now become rational, multiple executives at enterprise software start-ups said.

Executives at several enterprise start-ups at various stages said there has been an increase in the number of people approaching them for jobs. Some employees are even willing to take pay cuts.

"With the slowdown, I think the expectations that people have in terms of salary have also been rationalized. It's also made companies like us more attractive. Not having external investors probably works better now where people have heard so many stories of things happening to funded companies," said Paras Chopra, chief executive officer, Wingify Software Pvt. Ltd, a bootstrapped start-up identified as one among the top 30 product companies in India by software products think-tank iSpirt.

At India's two most valuable venture-funded enterprise start-ups, Freshdesk Inc. and Capillary Technologies Pvt. Ltd too, this was the case.

"We have people who have turned down our offers to go on and work with our competitors and have approached us to join Capillary as they wanted to join a stable company," said Aneesh Reddy, CEO, Capillary. "More than fresh hires, many of our ex-employees who explored opportunities outside of Capillary have returned to the company recently," Reddy added.

To be sure, it's not like enterprise start-ups have had it easy. Advertising technology firm Vizury last year laid off 50-110 people, according to reports in

various publications—quite a large number for a B2B start-up. But at most B2B start-ups, the cash burn is low, or negative, and their businesses more predictable than consumer businesses. Venture investors too are getting interested in them, perceiving it to be a low-risk sector.

"This year is much better than the last two years for enterprise start-ups in terms of attracting talent," said Anshuman Das, managing partner at Longhouse Consulting, an executive search firm. "Salaries have definitely come back to reality now because most consumer Internet start-ups are in cost-cutting mode. However, for the top talent, salaries will continue to be very lucrative because multinational companies such as Amazon, Uber and others are still aggressively hiring and are willing to pay top dollar."

Data from Belong also showed that the percentage of candidates saying they are interested and interviewing with consumer Internet companies began to see a sharp decline in December, and averages to a 20% drop across the segment from December to April.

Meanwhile, software-as-a-service companies started seeing an increase in interest that averages to 19% for the same period.

At ChargeBee Inc, a Chennai-based company that makes software for enabling recurring payments for small businesses, the number of promising candidates who were interviewed rose 200% over the past year, according to CEO Krish Subramanian, while Cloudcherry Analytics Pvt. Ltd, a start-up that offers a platform to analyse and increase customer engagement, reported inbound interest in joining the company rising from about five-ten emails enquiring about jobs last year to at least 30 a week, this year.

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