

Acquiring for talent

Start-up giants are buying newbie ventures that score high on technology

A trend pioneered by Facebook in India in 2014 has gathered considerable momentum. Start-ups-turned-unicorns and giants are gunning behind newbie ventures that score high on technology with the key intention of lapping up their talented resources. Talent-led acquisitions or acquisitions is creating ripples in the start-up ecosystem here. Recently, cab aggregator Ola acquired a Bangalore-based artificial intelligence start-up called Pickup.ai. This follows acquisitions by Zomato, Swiggy and Reliance-owned Haptik. Zomato acquired drone start-up TechEagle Innovations a while ago. Swiggy acquired Kint.io, an artificial intelligence (AI) start-up with a founding team that has expertise in machine learning (ML) and data sciences earlier in the year. AI-based conversational platform Haptik, in which Reliance Jio acquired an 87% stake for Rs 700 crore, acquired Los Angeles-based AI start-up Convrg, which build chatbots.

Experts point out that acquisitions have been a key strategy for global giants for a while now. Facebook, Apple, Google, and Walmart Labs have all been at the forefront of acquisitions in India, having acquired niche ventures such as Little Eye Labs, Tuplejump, Halli Labs and FloCare respectively for their talent. "But what is striking is the surge in home-grown Indian ventures going in for acquisitions, as against pure-play acquisitions," say experts.

As opposed to acquisitions, acquisitions are primarily done when the buyer values the talent and innovative technology more than the market presence, growth and expansion of the start-up. "Thus acquisitions are almost always done by established ventures who buy out upcoming or budding startups with niche specialisation at a minuscule valuation when compared to something like the \$16 billion buyout of Flipkart by Walmart," say experts.

Rabindra Shrestha, managing partner, Prestellar Ventures, says big firms may acquire young technology start-ups that are often bootstrapped and at seed-funded stages, as "such start-ups are in a sweet spot and are mature enough to prove that they can build capabilities, yet young



enough with their obligations to keep the deal financially palatable to investors."

During an acquisition, the buyer buys the thought that the start-up team can in the future come out with best-selling products, courtesy their domain expertise.

According to Pankaj Karna, managing director, Maple Capital Advisors, acquisition takes places where promising start-ups are unable to induct suitable growth capital. "Now the number of start-ups unable to get capital is significant and acquisition is a possibility for such start-ups whose strengths, when combined with a larger platform can create good incremental value and help them be a part of a strong growth story," says Karna.

For the buyer, it's the inherent talent in the budding start-up that's the key attraction.

According to Siddhartha Gupta, CEO of Mercer | Mettl, there seems to be an unmet expectations gap between organisational on-job skills

EYING FOR EXPERTISE

■ During an acquisition, the buyer buys the thought that the start-up team can in future come out with best-selling products, courtesy their domain expertise

■ Acquisitions are primarily done when the buyer values the talent and innovative technology more than the market presence, growth and expansion of the start-up

and competencies demand and what the market offers. "In the face of the lack of ready talent availability that can be involved in the work strategy from day one, companies see a golden opportunity in acquiring a start-up for their talent."

According to Karna, start-ups strong in niche technologies like the internet of things (IoT), blockchain technology, 3D printing, predictive analysis, augmented reality (AR), ar-

tificial intelligence (AI), virtual reality (VR) and machine learning (ML) are likely to see the acquisition traction.

Adds Shrestha, "People with relevant skills and cleanly laid out roles provide for a fully functional team. Such teams require less training and would be fit with technical capabilities. These teams, when integrated into the new parent, can hit the ground running for expansion and offer value for saving of time and effort."

According to Saurya Prakash Sinha, CEO and co-founder of fintech start-up Recko, acquisition will get popular as we move forward. "There are tons of small start-ups that work on adjacent functions and are of interest to large companies. Instead of building it inside, which delays the go-to-market, it makes more sense to acquire a team which specialises and comes with prior context. Acquisition is also a safe landing group to get the financials correct before starting up again."



Why learning new skills is so crucial

I have been working as a coach and consultant now for 27 years. In endless number of workshops, I find CEO and vice presidents coming in the training hall pretty chirpy and happy. A bit later, they start finding it discomfoting to sit with other people and share experiences. Some walk up to me and ask that they would like to sit with their own colleagues. In a recent workshop meant for senior leaders, the process was as always. A case study of Google's Project Oxygen which they had to work on deciphering strategic planning and the learning outcomes was supposed to be presented. In the usual Training methodology, it is called Three E process. Explain, Exhibit and Execute. So, I explained what was needed to be done. Then exhibit how to do it and last step is on them. Everything was working like a charm until one of the senior vice president quietly came to me. "Please let me go. If I fail here, it would be serious embarrassment. You don't understand." I had to use all my motivational skill to retain him in the training hall.

What goes wrong when it comes to learning with people who are successful, leading a team and known as internal mentors so to say.

Here's how it goes actually. The act of learning is principally rational and directly connected to intellect, behavioral, or procedural. But the experience of learning is mainly emotional. The emotional experience of learning is actually a novice and a beginner. That involves making mistakes and that too in public domain. This itself keeps people from even trying to learn any new skill or experimenting a new idea in a successful set up.

Recently, a start-up contacted me. They wanted

 **Self-improvement is hard work. Be very clear that learning a new skill takes extreme commitment**

to set up processes properly and needed a consultant. I asked them to set up a learning session to begin with understanding setting up of people, strategy and execution. They were uncomfortable with the idea to learn with entire team being there as it might show

them as beginners. "Unless your people understand how and what is process setting, how will you implement it?" but my logical reasoning fell flat there.

In fact, coming across as a beginner in the field you are known as an expert already is similar to looking awkward. It may seem like that you did not learn on the job or just inept. It can even feel embarrassing. But trust me, it's not. It's the major step we have to take and no matter what, we have to do, in order to become knowledgeable and competent. Just that mostly we are unwilling and very uncomfortable to experience this. As an individual in corporate setup or whether as a start-up, this stage can hinder the future growth. This becomes more crucial if the areas are already looked up to as your expertise. Do this two step method to break the hitch.

Are you ready?

A new skill or competency, you need to be level headed. The sky is not the limit. Everyone has limitations. For example, you may want to be a bodybuilder, but not have the time and fitness coordination required. Self-improvement is hard work. Be very clear that learning a new skill takes extreme commitment. You need to have time and the readiness for cultivating a new skill.

The writer is a strategic advisor and premium educator with Harvard Business Publishing