



Startups preparing for IPOs are a top segment looking for popular names in industry as co-founders as it is easier to get investors' nod before going public.

Startups dangle post of co-founder to lure senior execs

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The move to hire or promote senior executives, who were not part of the founding team, as co-founders is a growing trend among most Indian startups. This, industry experts said, is to retain and woo senior talent, such as a chief marketing officer, especially in a market where the situation is rather volatile.

The executives are also willing to wear a co-founder's tag on their sleeves, as they feel that it will help them spearhead decisions and be accepted on a similar footing as other founding members, something that may not be possible in an established firm.

"We are running mandates for a 'co-founder' for startups which received Series A funding. Founding teams will find it easier to look for a CXO with a specialized skillset if they offer a designation such as co-founder that attracts many," said Pranshu Upadhyay, regional director for search firm Michael Page.

The salaries for co-founders are upwards of a couple of crores, and they get a larger chunk of stock options than the next in line. Startups preparing to launch IPOs are a top segment looking for popular names in the industry as co-founders as it is easier to get the investors' nod, before going public.

Market research firm Prime Database said IPOs worth ₹1.6 trillion are in the pipeline, with 70 firms looking to raise ₹1.05 trillion after getting approval from Securities and Exchange Board of India, while 43 are awaiting nod.

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"Typically, people who join startups within the first 1,000 days in their journey are valuable. The firm is still very new and such people play a key role in establishing the business," said K. Sudarshan, managing director of executive search firm EMA Partners India. His team is running a co-founder mandate for an internet tech firm across technology, product and operations leadership.

Fancy designations, such as a co-founder, matters at a time the sector has witnessed large-scale layoff after the hiring frenzy of last year, following a funding crunch in the last three quarters.

Besides, firms are also offering phantom stocks, restricted stock units, discounted stock options and stock buyback plans to ensure senior talent does not leave.

"Note, the last 4 months have seen an average of 130 startups a month getting funded. The firms need senior people, and in an uncertain context, a co-founder title will be an added attraction for senior executives,"

Kamal Karanth, co-founder of specialist staffing firm Xpheno, said.

According to Xpheno, in the last 18 months, July has been the worst for funding. Since 22 April, funding value has also fallen drastically compared to January-March, when startups received an average \$3.6 billion. In the June quarter the average was at \$2.2 billion and in July it was just \$1.1 billion.

According to recruiters, large MNCs have also decreased or frozen hiring. This, propelled further by the Ukraine crisis, has left few options for senior executives, but to join smaller startups.