



**FACTOR
DAILY**

*Outliers Podcast
Girish Matrubootham, Founder & CEO,
Freshworks Inc.*

Hi Everyone, welcome back to the Outliers podcast. I'm your host Pankaj Mishra and we are back with a new season of Outliers, called the season of resilience. These are uncertain times and everyone is trying to cope with uncertainty, anxiety and so many unanswered questions. We thought, we could be useful to all of you by doing a series of conversations with Outliers and some new guests. Please stay safe and I really hope all of us get out of this stronger and more resilient.

Pankaj: I'm very excited to be having this conversation with Girish Matrubootham, who is the Founder of Freshworks and among founders in the ecosystem who a lot of entrepreneurs look up to. Girish has had a long journey through different cycles of disruptions and challenging times. He's the Founder of Freshworks and like I said, someone who the entire ecosystem looks up to. So, welcome to the podcast, Girish.

Girish: Thanks, Pankaj. Thanks for having me. I hope you and your family are safe.

Pankaj: Yes, thank you, Girish. I hope all well at your end too. Not the best of the times to be having a conversation but there's a lot of anxiety around all of us. Every founder I speak with is battling all kinds of battles, locked in a war room, lots of existential questions and so on. To start with, Girish, how do you read everything that's playing around us?

Girish: First, before any other answer, I think most of us, we are really fortunate to even be in the situation we are in. If you look at what's happening with the migrant workers and with so many people who are losing their livelihood, I think many of us in tech, we are worried about revenue growth and our companies but there are so many people who have lost their livelihood, who are struggling for food and essential needs. I think it's a humanitarian crisis so I would say, I am personally very-very thankful, ***I am grateful for where we are today compared to what is happening in the world.***

So, talking about this and all of us are going through this probably for the first time ever. We have never seen the world shut down like this so even in the previous recessions whether it's the 2008 financial crisis or the dot-com bust in 2000-2001, I think there were segments of companies impacted or in the dot-com bust the Silicon Valley companies were impacted, VCs lost a lot of money. In the financial crisis, banks lost a lot of money and Wall Street was really going through a big problem but in both these scenarios, in these past events, the world was not shut down, right. People were travelling, businesses were running, we were all watching what's happening in the financial markets, right. But this is much-much bigger and the health care system is under tremendous stress, there is a lot of fear and anxiety in people's minds. The virus itself can come and go. In fact I spoke to some of my friends who had got the virus and in a week or so they were better but the problem is the health care system is so constrained in terms of the number of available beds and so on, in every country, I think the exponential rise is what we are trying to control and I think the good news is, we are starting to see some positive signs everywhere, in the US, and in India but **may be its very-very early days, beginning of the flattening of the curve, is starting to happen. We have to hope for the best but at the same time, as founders, we have to plan for the worst also.**

Pankaj: Sure, Sure Girish. Now, not to compare what's going on now with anything that you have experienced before but if you were to look at times when you really faced anything existential as a founder, is there any learning that you feel has prepared you better?

Girish: I think, most of the learnings that anybody can get is only from the 2008 crisis because that is the last big recession that we have seen and in those days, I think, there was a lot of hindsight learnings on what the best companies did, how did they emerge stronger. So there are even frameworks that we call as the **VUCA framework, which is how to operate in times of Volatility, Uncertainty, Complexity and Ambiguity.**

Right now, I think, we are definitely, the VUCA playbook will apply. *Ambiguity and Uncertainty* is basically about how much do you know about the situation. If you don't know anything about what's going to happen in Q2, for example, there is high degree of uncertainty and *volatility* is how well can you actually predict. If you are doing something, can you predict. If you are going to invest in marketing, can you predict with certainty that you will get the revenue. So, basically, the Y-axis is like that. Do you have a degree of predictions. **So I think, we are living in the situation where we don't know enough about the situation and we also don't know what action will drive what results. So, it is an important time where we should not get carried away. It's always said that, what is controllable? Like in this scenario, what is controllable is the spending** and I would say like in both the recessions, people always say the best companies emerge stronger, what does that mean? I think, the lesson is, from a founder's standpoint. So, many great companies were actually created during the recession. But, for that, **you need to understand what you need to do.**

I would say, the *first thing*, I would say is, **founders today have to reset their mind from growth to survival** and I think, see most of our founders have not seen anything but a bull market because this bull market in tech and SaaS has been going on for like 11 or 12 years now. So right from 2010 till now, we have not seen any downturn, we have not seen any recession. We saw increases of funding, we saw a lot of good news and positivity among start-ups, so, I think, most founders are tuned to live in that growth oriented world but **what has happened today is, there is a hard reset and that reset has to happen in the founder's mind also. They have to move or reset from a growth mindset to a survival mindset first.**

Again, different companies **may be in different stages**, like there could be a very early stage start-up with no revenues and no funding, there could be start-ups with some revenue and some finding, there could be well capitalised start-ups who have enough money and some revenue and there could be profitable companies with customers and **all these companies have to switch to survival mode, RIGHT NOW!! It's not about growth anymore.** Like even 4 weeks ago, every founder would have been, if you ask them what was their top challenge for 2020, the popular answer would be growth and hiring great talent. So, but the situation has changed and if the founder does not reset that in these 4 weeks the world has changed so right now it is not about revenue growth or hiring top talent, the problem has changed to actually;

- 1) ***Making a survival plan***, like **do you have a plan to survive for 24 months?**, so, I would say that is an important reset. Now, once you have that, then what are the other things that you can do.
- 2) ***How can you protect your existing customers' revenue because cash collection is going to be a tough challenge now.***

We'll talk about that, but I think, that is the learning from the past crisis is how do you reset your expectations. You don't continue to live in the fantasy growth world which you were experiencing. You

can't assume that nothing has changed and continue to go as if everything will continue to be ok. The number one responsibility that founder's need now is to adapt to a survival mindset and **that** is a big learning from 2008.

Pankaj: That's very well said, Girish. Now, before we get deeper into managing that part, you know there are lots of founders or lots of start-ups that had taken birth over the past few weeks or couple of months, now the question they are asking themselves is, should we go on with it or this is the time to throw in the towel or there are other set of companies who have been really facing existential problems even before this crisis and they are wondering if this the time to shut the shop. I know this question can be answered depending who you ask, but how would you approach a question like that because you have also watched a lot of founders very closely?

Girish: So, I think, this question can be answered only knowing the details of the cash position and the runway that the company has. **Now is not a great time to sell the company also, meaning whose buying? And also the valuations have dropped, so I think, everybody prefers a growth market only because there's a lot of good news. Even when you are getting acquired you can get a bigger multiple and a bigger exit.**

Right now, ***the key question is do you have money to survive or not*** and if you can survive and you want to continue the start-up and wait for better times to come, I think, getting into the survival plan or survival mode is essential and see I know some start-ups which have more than 200 people but they are one of the worst hit sectors in travel, so they have to let go of people. I mean this company was doubling revenues and going for the next round of funding so they were hiring a lot of people so, the company went from 80 people to 220 people in a span of the last 6-8 months and when suddenly the world has changed upside down and all the revenues getting cancelled, so it's very-very painful to actually see, let go of the people that you have hired and so many careers are at stake **but if you don't have enough money, you have to take the call because the company has to survive so**, you have to make sure that, you cannot assume that in May or June everything is going to come back to normal because it is not going to come back to normal in May or June and we all hope that it will but as a founder you have to think, what if it doesn't. So, that's why I say, **you have to hope for the best but prepare for the worst** and I am saying this because many founders, when we talk to them about this, like they will say, 'hey, what if in 3 months situation improves and then growth comes back, then I hired all these people, if I let go of them, then it'll be like a waste.' Then we have to ask them, 'what if it doesn't? What if the situation doesn't improve by July or August or September.'

We don't know if Corona is going to be completely wiped away from the face of the earth. We don't know if there will be other waves of Corona. We don't know if people, in their minds, will start going to conferences and attending events and travelling for leisure and all of that happened this year will come back, like will you and I, like are you planning to go on a vacation this year? Do you still have the courage to go to Europe? So, I think, these are all questions that nobody knows the answer so as a founder you need to be prepared.

To answer your question, **there is no straight forward answer to say, ok shut down now or go back to unemployment because that is also a scary situation, right.** In the bay area alone, today I read that, 22,000 people have been laid off. I don't know the number in India, in Bangalore or Chennai for example, every company is laying off people, very few companies are hiring. So, if you want to shut down your company today, are you sure you are going to get a job immediately, like starting next week, that also we don't know. So, right now is not a great market for that. So, I would say, **assuming that a**

founder wants to keep the company going, lets talk about that, the framework for that is, very straightforward.

1) Plan for survival. I cannot stop saying that enough. So plan for survival is to give yourself, the maximum runway you can. 24 months would be great or 18 months would be great because we all hope that situation will change but you have to make sure that the company will survive for 18 or 24 months because everything has changed. Some of the VCs that I know, they are not investing right now. So the deals that are happening right now are the deals where the meetings happened in Q1 and they have already committed, so those closures of those rounds are happening. People actually make a press release saying, 'hey, we announced our funding or closed our funding in this environment.' Remember, that all the discussions happened in Q1. Most VCs that I talked to, they are not doing meetings over Zoom because you have to understand that VCs really look at body language. They want to feel that 'founder connect' and so many of them are actually taking it slow. Also, **for those founders where there is a round being discussed, I would say just close the round** and even if you have to give up like, today one of my portfolio companies, they are in the closing stages of a term-sheet, but they are saying, the new investor, there are 2 investors, both of them want Board seats. I just said give them the Board seat and close it because right now if they don't close that round, the company has only 4 months of cash left and so it's important to survive. You don't know what's going to change. Valuations may drop, many VCs are indicating that, and you cannot play this card as if VCs are opportunistic people who suddenly are doing bad things. Basically, you have to understand that the entire portfolio value of the VCs have also gone down and the VCs take money from their LPs, the LPs invest their money in public markets, all the public markets are down. In India, I think, they are down by 35% - 40%, so, basically **this is a contraction for everybody**. So, there is going to be a reset and as a founder, once you have your survival plan done, then you should look at, how to protect existing customer revenue?

You said, there are some start-ups at a very early stage. **Very early stage start-ups I would say, time is what you have, you have just started, if you have the cash, or even if you are 2 or 3 people and you can self-sustain without a salary, go and build the tech and hopefully in 6 months – 8 months' time, the world will be a different place and it will be better.** May be you don't need a bigger plan as long as the small, early team can just survive on their own, you can come out stronger. But if there's an existing team with a lot of costs already in but you don't have the corresponding revenues, even in a good day, many start-ups are dependent on the next round of funding because they are burning a lot of cash. Now it is even more stressful because revenues are not coming in, so, I think, depending, we have to bucket the companies into different types, **companies that are pre-revenue**, they have to figure out either they have the funding to survive or they can still sustain with a small team, **companies with revenue**, they have to focus on protecting their revenue, collecting cash from existing customers. That's the most important problem for companies with revenue. Again, this is a reset because till last month we would be thinking about growing, right. As a start-up, you may be growing 200% or 100% or 60% and you're thinking about how will I get to that growth. Now, while talking about growth you are always assuming that your existing customers are going to pay you. Now, there is a double-edged problem; there is a leaky bucket where existing customers are going through pain, they can't pay you and your cash collection is suffering. You have to protect that while you are trying to see where are the new deals because many of them are postponing the deals, cancelling, customers are not buying but there are some pockets where customers are buying so how do you find those few customers while plugging this leaky bucket. So, I think, for start-ups with revenue, you have to focus on customer retention and finding those opportunities.

Pankaj: That's very well-articulated, Girish. Now, I know, Freshworks is a Pvt. Co. and of course I don't want to get into the numbers and all but to whatever extent you can Girish, can you give us a sense of, so called war-room that you're in and how are you navigating Freshworks through this crisis. If you could pick and illustrate some of the things, that would really help, to whatever extent you can.

Girish: Again I'll say, when we started the year, we started with an annual operating plan assuming that at our scale we are going to grow at, say more than 60%, right, so there was a plan. When you are growing like that, you make a plan, a budget on how much you're going to spend, and how many people you're going to hire. So this year we would have probably added 900-1000 people more and so we would probably plan to spend several 100 million dollars in terms of overall marketing, hiring, sales teams' compensation and so on and broadly if you look at Q1, till March none of us had any clue of it right, so when we are planning for a whole year, most of our hiring was front loaded like we had to get the people in Q1 so that they are productive for the rest of the year. So, we had already gone ahead and hired, I think 300-400+ folks and as of now, we have 470+ openings but we have paused all hiring. Two weeks ago we paused all the hiring and we said we'll build a new critical list of open positions. So, we are still hiring but for 70-75 positions. That's the scenario on the hiring front.

The first thing I'll tell you is, as soon as we saw this, we are also fortunate enough that we closed a big round of financing, 150 million dollars, last year, around November so that also was a good move when we did that when the valuations were good so we are safe from a cash position. But even with that, the moment we saw Covid happening, when it was declared as a pandemic, we immediately said, 'hey, the game has changed.' We went to our teams, I did an all hand with 2600 employees on Zoom where I said, 'hey, the game has changed. It's almost like think of it as a cricket match, so you want to hit 300 runs and you're batting but suddenly there is rain and then now we all know that Duckworth Lewis method comes into play. It seems so unfair but nobody understands how Duckworth Lewis works but suddenly you are given that oh, you can only, you have say 10 overs and you have to make 160 runs or whatever, something like that.'

That is the analogy I will give you here is. See, the game has suddenly changed and we are not in control. So, the old plan is not valid anymore, so and we are a 3000 people company. **How do you throw away your old plan and quickly re-orient the entire company with a new plan? That's a hard problem.** There are so many people you have hired, they are onboarding, their offers were out, so we actually said, on the people front we said, ok, no lay-offs. We are not going to lay-off anybody because we will go through this situation and hopefully everything will recover and we will go back to our growth mode, so we will take care of all the people. We also said, all the vendors, the housekeeping vendors, the security staff, the cab drivers, so these around 350-360 people who are not employed by Freshworks but their livelihood depends on Freshworks. They are employed by our caterers, they are employed by our cab company and so on, so we actually said, 'hey, we will pay the salaries for those folks' otherwise their companies would lay them off and they were working for Freshworks, so we are paying all of their salaries but for Freshworks we said, ok we will postpone the merit increases for all our employees because again we don't know the old plan had factored in so much revenue coming in so we will now work on a new plan.

The point I am trying to say is, even at our level, **even when we were growing at very-very healthy level, when this started happening, we understood that the only thing we can control is our spend, so we cut all our travel, we cut all our field marketing, we reduced our digital marketing, we paused hiring, we postponed merit increases, I am not taking a salary till we do appraisal for our employees. We did all of these things to make sure that when revenue is going to fall, we make**

sure that the spending also is reduced so that business does not get impacted in a very bad way and having said that, we set up a war-room with data coming in on a daily basis. The management team was meeting on a daily basis looking at all the numbers and in March we were seeing the sign-ups and the traffic still going on and we did not see a lot of cancellations but I kept telling people that hey, this is one place where you **have to have your gut feel take over than just relying on data because the data will suddenly change. You cannot assume that everything is going to be, what you are seeing is very clear. The suffering is real meaning the pain is real. The customers who are going through this and it's going to impact** and now in April, we are seeing some customers are there, increase in the number of customers asking for relief and so, we are seeing that. We are looking at, from a GTM stand point we are seeing where are the opportunities, businesses that are actually doing well or doing ok in this environment, they are still looking for solutions for remote customer support or they want to handle customer care even when all employees are remote and working from home so they are buying our software for that so we are hunting for those opportunities. You have to understand that we have a 1000 member GTM Org it's like turning a big machine into these narrower opportunities that are showing up in pockets, how do we focus the company on that and more importantly, we know that **when this gets over we will emerge stronger but it's important to understand that what is that mean because many people give advice saying hey, if in the downturn, if you actually do the right things, you'll emerge stronger but what does do the right things mean?** For us, we said, do the right thing actually means, **anything that you were doing well before where your sales teams could do an instant repeat portion of the sale, like they were able to really sell certain products like the mature products, so those have to become better like you have to have a well-differentiated or even a much better, superior product when you come out, so those are the areas that we are investing in** to make sure that say remote customer support or CRM is actually better when we emerge so we focus on prioritizing those areas from a product stand point. So, I think; **1) control all the costs, conserve cash. 2) look for opportunities where there are positive momentum somewhere.** The market is there, you have to dig out. It may not be as big as before and then on the internal focus we are focussing on all the areas that will make us stronger when this gets over and we are also investing in processes and systems, all the tech debt or product debt or process debt that we had, cleaning all of that up. It could be, for a high growth company, this can be a good time to, slow down a little bit, invest in all these systems, get stronger and then go back to growth when things get back to normal. So that's what we are doing.

Pankaj: Sure. That gives a very exhaustive view of what you are going through, Girish. Thank you for that. Final couple of questions before I let you go. A crisis like this tests the culture of the company or DNA of the company a lot, I would imagine right. It's kind of a litmus test almost. So, you know, what does it mean for the culture of the company, culture of the start-up or the company that, for example in this case Freshworks, or any start-up that you founded? How do you ensure that it stays the way you wanted or you think it also changes in some way? So what I am trying to ask is how does it come out on the other end and what does it mean for the culture of the company or what you stand for?

Girish: Crisis is a great time for company building in terms of culture also. It brings people together. People understand, right. One of the things I did in the first week, 10 days of the crisis between March 14th-15th to 25th is I started doing zoom sessions with different teams. There are two aspects, after doing this all hands where we announced this, I went and spoke to the European sales team, I went and spoke to the marketing team, I spoke to the digital marketing team, the field marketing team. I spoke to the SDR team, I spoke to some other engineering teams, product teams, etc. So, the whole idea was to connect with folks, to actually explain to them what I am thinking right now and ask

them what they are seeing in their function, in their region, in their roles and **try to focus on the positivity.**

You have to understand; **1) this is not your fault, this is not an employee's fault. It is a humanitarian crisis first and a business crisis next. So, it's the time to stay together.** If you have a survival plan, you don't have to worry about this. Every company, in fact some companies actually use this time to tighten the belt and clean up also because this is a chance where as a public company or a private company, nobody's going to be able to do anything. The entire world is going through pain. What I would like to say is ***"pain is inevitable, but suffering is optional"***.

So you don't have to suffer mentally or emotionally. Don't get the anxiety. You have to deal with it with positivity. You have to understand what is the, you have to go through that pain. It is painful. Our customers are going through pain, the entire countries are going through pain so it is inevitable. We have to live through that and ***"what doesn't kill you, makes you stronger"***, is a very-very relevant statement here. The only mistake founders can make is not having a survival plan and assuming that the good times will come back soon. If it comes, we are all happy but if doesn't you have to be ready. That would be the biggest mistake for a founder.

Other than that, **make sure that you have a survival plan and then focus on how can you emerge stronger when this is over. Focus on leading with positivity, focus on finding those opportunities and also taking to customers, talking to employees. It's a great time to connect.** I would say as a CEO I've spent more time with the employees in March 2-3 weeks than I have done in probably the entire 2019. So, I think, it's a great opportunity to connect. I think, you can see everywhere when people can see that these tough times actually bring people together. There are so many employees who actually offered to me saying, hey, we will take a pay cut, we know what you are going through and so we want to also do that. I told them, it's not come to that yet but thank you for the offer. If we need it, I'll come and ask you but right now we don't have to do that. So, I think, it was very gratifying to hear that from employees and you know how people are feeling connected to the company. It's a great opportunity to bond with people in times of crisis also.

Pankaj: Girish, one of the things is, in times like these also means that there is, you need to have some uncomfortable conversations depending, where are you as a founder or as a company. Letting go people, discussing things with vendors or even investors. Depending who you are, it will apply but in your experience what is the best way to have uncomfortable conversations?

Girish: **Speak the truth**, honestly. At the end of the day, any, every founder is hiring people believing that the business will grow and what happened with Covid is not that anything that anybody could predict. You are in media, we all know that in 2019 December, so many articles came about predictions in 2020, not even a single journalist, anywhere in the world predicted that Covid will become a big problem. So, nobody knew this or saw this coming.

The uncomfortable conversations can come, **actually the conversations will be more uncomfortable in growth scenario** where you are letting go of people because of your own performance. Like if you are executing badly as a founder or if the individual is executing badly as an employee then those are the uncomfortable conversations. **Today, it is a survival of the company and it is uncomfortable but I don't know any way to make it easy. The only way is be truthful, be honest and explain** and it's also very, there are some companies which are asking employees to work without a salary for a few months and compensating them with Esops, so maybe there are some employees who can go through that but at the end of the day **you can still be friends with people even after you separate with them,**

even if you have to, like, I am still friends with all the people that I have laid off in my life. It's important to explain to them what is happening and the reason for this decision and that it's not personal, it's the survival of the company and the company is bigger than anybody, right. It's bigger than the CEO, its bigger than the investor. The company is the first priority for the founder or the CEO and you have to do whatever it takes to make sure the company survives. The dilemma would be, what happens in 3 months, if situation improves and you have made a wrong call of letting go of all the people. That's not the wrong call. You may have to do it in order to survive because what happens if you keep all the employees and then in 3 months the company dies.

Pankaj: Very true. Finally Girish, how do you sane and how do you stay someone you admire, every time you go through a crisis?

Girish: Staying sane is a decision, in my opinion. **You just have to decide to be positive and be happy all the time.** Even in high growth situation we have seen founders who are very anxious and stressed. Actually, high growth is lot of stress also or fund raising is very stressful.

What I have realised, after interacting with lot of people is, **fundamentally you are who you are. Times will come and go but you have to learn to look at the positivity.** For example, this is the first time we are spending so much time together as a family. There is definitely positivity there. There's no traffic on the roads, there is less pollution, we are watching, I am a movie buff so I am watching a lot of Amazon Prime and Netflix, all my weekends are going into movies. I am happy about that. I also have friends who, continuously read negative news about Covid and they are really scared and WhatsApp is so much of fear mongering. There is so much of media fear mongering also. At the end of the day, my opinion is, you can't do much, right. Even if you go to a grocery store, to buy grocery, you may get Corona, right. So we have to do what is right by staying at home and self-distancing and that's why I said, everything else is optional. The suffering that we are going through, the anxiety that we are going through, that is not caused by Corona. That is caused by WhatsApp and the media and we are inflicting it upon ourselves. I think, it is a decision for me and I would appeal to all the founders to say, **'hey, this too will pass. Just stay positive, learn to appreciate some of the good things that we have in life and go back and do what you really love doing'**. Like I am going to look at products, so if you like reading books, or movies, so find time to do what, you have time. One thing we know is that all of us have time because we are not travelling, we are not in planes and airports and we are not in back to back meetings. We are in zoom meetings but still there is no commute and so on. We have time. **Use the time to focus on things you love, doing the things that give you happiness. Spend time with family and look for positivity. I think that we will all stay together, come out stronger and also help people in need.** The most important thing is right now, how do we take care of so many people who are losing their livelihoods. Its devastating for them. So, all of us have to help in whatever way we can those people in need. I will probably say it again that pain is inevitable, suffering is optional.

Pankaj: Very well said, Girish, as always. Thank you for giving time in the middle of all of this. I hope you all the resilience and staying sane, of course , you know how to do it.

Girish: Thanks, Pankaj.

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