

'Facebook episode helped me start new venture in a structured manner'

Divya Narendra seems to have picked up the name for his new venture after realising fairly early that life may be a zero-sum game. His earlier venture HarvardConnection had led to founding of the gigantically successful Facebook. For many years Narendra had to fight a legal battle with Mark Zuckerberg over Facebook while simultaneously balancing his personal and professional life. Now CEO and co-founder of SumZero, a social media platform for finance professionals, Narendra says he doesn't dwell on the Facebook episode anymore, and sees his new venture becoming a standard toolkit like Bloomberg. In Mumbai to participate in the 'ZEE Leadership Series 2014', Narendra spoke to Ashish K Tiwari about the past, his entrepreneurial journey, challenges of doing business in the digital era and much more. Excerpts from the interview:

How do you go about business ideation?

Most entrepreneurs come up with ideas based on their experiences and my first idea had to do with connecting university students. I was a junior in college when I came up with HarvardConnection to help connect students with each other over an internet-enabled platform. Similarly, after graduating from school, I worked in finance for three years, of which two years were in Credit Suisse and a year at Sowood Capital. And then the financial crisis hit and everyone at this fund got fired including me. I sensed it was again a golden opportunity to build my second business--SumZero. It kind of captures both my experiences with social media, building HarvardConnection and investing in finance that I learned working in New York and Boston. So it was a natural by-product of my experiences.

Was the entire Facebook episode a big drag on your entrepreneurial thought process?

When we started HarvardConnections, I'd struggled to find classmates, programmers. Finally, after nine months of working on the idea, I came across Mark

Zuckerberg who worked with us for just four months. And then I read about Facebook in the newspapers, which was very shocking. Thereafter I graduated and decided to completely shift my mindset and put aside the fact that there was a lawsuit going on and just focus on my job. The attorneys had already taken over a large part of the litigation process and I recognised there was no point in dwelling on the past and that it will be much more valuable for me to focus on the next phase of my life, which was learning about business and finance. When SumZero was started, I'd simultaneously enrolled in graduate school as there was a lot I wanted to learn in the law and business schools in addition to just pure entrepreneurship. Lessons I learnt from my first business helped me start the second one in a more structured manner. Thus, with SumZero we had no legal issues and it was a much smoother business building process. I had a better understanding of how to raise capital, had a bigger network, etc so the process was a lot easier for me the second time.

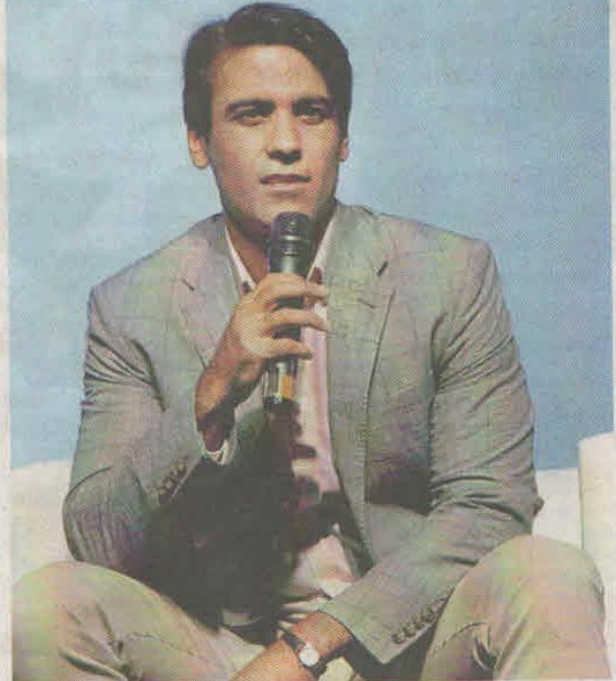
monday special

Has the Facebook episode impacted your ability to trust people with sharing business ideas and innovations?

It certainly has impacted me and I was fortunate to have got off it early. For me it matters a lot and now I am just more acutely aware of that dynamics. I think the movie and the experience I've had, has probably happened to a lot many people but it just so happened in our case that, that idea turned into a huge phenomenon and got publicised. In reality though, it wasn't a unique experience and a lot of people probably had similar experience themselves and they may have also shared business ideas with someone and that person would have converted that idea into a hugely successful business opportunity.

Are you happy with the outcome of the lawsuit?

Yeah, I think at the end of the day we wouldn't have agreed if it wasn't a fair settlement. Looking back, I have got no regrets in



terms of decisions that were made in the past. I moved on right away as there was no point wasting time thinking, what if I was running Facebook or was part of the founding team etc. Even to this day, I would never want to trade places with anybody from Facebook be it Mark or its co-founders. I am totally sort of happy being where I am at.

Have you sold any stake in Facebook?

No, I haven't. I think Facebook is going to do really well hence I have held on to the majority of my stake in that business. It's a meaningful position that I hold in the company I think Facebook has got a long runway ahead of it.

How do you see SumZero growing in the future?

It's niche but we are targeting very high value community. The vast majority of our members are mutual fund, hedge fund managers and analysts of these funds. What we do is give them incentives to share their own proprietary research. It's a little counter-intuitive because you don't normally think of hedge fund guys sharing or publishing research and we are trying to change that. As we aggregate more and more proprietary content, part of the vision is actually to disseminate and make it available to everyday retail investor. Right now, it's not our main focus as we are still trying to figure

While there are a lot of internet businesses that seem to be launching but most are kind of copycats and don't seem very innovative. I think what you will end seeing happen is that unless those copycat businesses are brought to a place/exist in areas where the original business doesn't care for or doesn't market to, they will probably fail

out how we can turn SumZero into an indispensable resource for the professional investor. In the long run, however, we certainly have that opportunity once we become part of the professional investor standard toolkit like Bloomberg or Capital IQ. Right now we have a free newsletter called SumZero Basic. Every Friday we send out a summary of an investment idea that's posted by one of the professionals on SumZero's core community. It's pretty much the only way to get access to rigorous, professional research for free. We currently have a network of a little over 10,000 professionals and it's all vetted. In order to get into our core community you have to apply, so it's just the opposite of networks like Facebook, LinkedIn or Twitter. Unfortunately, more than half of the applications get rejected because of the exclusive nature of the network. We'd love to see more folks in India who are full-time investors to be part of the network.

Do you see differentiation in the current line of businesses being launched in India?

To be honest, there is a notion of 'me too' or concept arbitrage with a lot of businesses that we read about in India. It's more like cut, copy, tweak and paste approach than original ideation of businesses. For network driven businesses it's fine to have a 'me too' approach but they will have to execute it in a manner to be able to have that first-mover advantage and that's what companies like Flipkart seem to be doing. Such businesses will probably still do well. But are they innovative? No they are not. Having said that, I think there are entrepreneurs in India looking to do businesses that are totally original, ideas that are compelling and solving problems that are very unique to India. And those entrepreneurs will do a great job and be successful too.

How active are you on social networking sites?

I use Facebook and LinkedIn a lot more than Twitter. I use Twitter mostly for SumZero and not for me personally. LinkedIn I have used a lot for recruiting purposes and I think it's a very good experience because you don't really need a resume anymore. While

people do send us resumes, but a lot of time I just look at what their LinkedIn profile says.

You think you would have done things differently at Facebook, from the way it has changed over time and is likely to change in the years to come?

I don't think too much about Facebook anymore. But in my opinion, their goal should be to build the most useful tool possible. I think, a lot of people think about networks vis-a-vis how cool they are but I don't. I don't need a

6 I think Facebook is going to do really well hence I have held on to the majority of my stake in that business. It's a meaningful position that I hold in the company. I think Facebook has got a long runway ahead of it

tool to be cool I just need it to be useful. What makes a community useful are things like: are the people you want to reach out to on that network, search capabilities something Facebook should continue to improve and there is a huge amount of work they can do and probably are doing to make it easier to find the right information, messaging is another big initiative for them.

Creativity and innovation have always been crucial for entrepreneurial initiatives...

Innovation is incredibly important for an entrepreneur, society and for a country. While there are a lot of internet businesses that seem to be launching but most are kind of copycats and don't seem very innovative. I think what you will end seeing happen is that unless those copycat businesses are brought to a place/exist in areas where the original business doesn't care for or doesn't market to, they will probably fail. Unless you differentiate your business, it will be very hard to have sustainable competitive advantages that allow you to grow over time.

Full interview on www.dnaindia.com