

# In The Trenches\_ Interview with Anthemos Georgiades (pt. 1)

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## SUMMARY KEYWORDS

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## SPEAKERS

Anthemos Georgiades, Steve Divitkos

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**S** Steve Divitkos 00:00  
Welcome to the show.

**A** Anthemos Georgiades 00:02  
Thanks for having me, Steve.

**S** Steve Divitkos 00:04  
So, we've got a lot to get to today. And as you know, I want to talk to you specifically about managing a rapidly growing company, because CEOs who have never run businesses growing at a very rapid pace might not understand the unique challenges and opportunities that high growth presents, relative to managing, say a company growing a bit more slowly. So just to begin with, in your experience, for CEOs who have never run a high growth company, what do they not understand about the realities of running a company growing at a very rapid pace?

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Anthemos Georgiades 00:44

So I know, this was true of me. So I've run my company for nine years, and I've seen kind of the three of us in a room phase, and now we have 250 people. And then the thing I didn't know, and I think a lot of my friends going through this same transition didn't know was how your role as the CEO, or the founder changes. Because I think all of us and many of your listeners are all so proud in the early days of a company of getting it from zero to one. And your role as a founder is to wear every hat one minute you're the CEO, one minute you're the CMO, one minute you're the intern doing data research. And it's such a good hallmark of an entrepreneur to get going and to have your finger in everything and every pie. What I didn't realize about when you get to high growth, and you know, you start to build sustainably high growth, like real MRR real revenue tracks, or real clients, 10s of millions in revenue is your job goes away from doing. And even though your growth may accelerate, you cannot do all of those jobs anymore, your job goes to empowering and you'll spend far more time at high growth, recruiting, mentoring, retaining your existing team and setting them up for success. But at the cost of not doing it yourself. And even though that sounds fun, which is like cool, I don't have to do all these jobs myself anymore. It's hard to let that go. Because that's what made you a growth stage company in the beginning. You got there because you as the CEO, you as the founder did all those things, it worked. And at the very moment that it works, you're then being told what actually you can't do it anymore, you have to take the leap of faith and empower a team to scale this to the next level. I never realized that. And I think that is the hardest thing to do to let go of what you're good at. And to completely trust with a leap of faith, a brand new executive team to go and run it better than you would have ever done. That is a hard thing to do.

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Steve Divitkos 02:44

So we see this a lot in the venture capital world where founder CEOs bring the company from zero to one. And in many cases "professional CEOs" or "professional management teams" are brought in to bring the business from 1 to N, whatever n represents. But in your case, you have remained CEO after founding the business since 2012. So presumably, you have navigated that transition quite successfully from chief cook and bottle washer to now the person managing the design and the business, creating incentives, etcetra. Many entrepreneurs kind of stumble in in that baton pass. Why do you think you've been able to manage that personal transition successfully?

A

**Anthemos Georgiades 03:31**

I stumbled. I speak from experience there. Yeah, I think that tipping point is for venture capital back startups, it's about 10 million in revenue. What makes you successful going from your first dollar in revenue to 10 million in annual revenue is a very, very different skill set to what makes you successful of going from 10 million in revenue to 100 million in revenue. Which for a marketplace business like Zumper, my company is kind of your IPO ready state. And I probably took a year and a half to be dragged out of being the CEO of the first phase into being the CEO of the second phase. And I say dragged because I have an amazing board's very supportive investors who've been the biggest cheerleaders for the company since day one. But they were the ones pushing me hard around that \$10 million mark, which we kind of hit, I'm trying to think for four or five years into the business, when we hit across 10 million. They were the ones saying you've got to go higher, you've got to go higher. And I really didn't want to for the reasons I mentioned before. And so I think it's not necessarily a skill set thing that precludes some people from making the jump. Sometimes it's an emotional attachment to the first phase, which is what made you good saying that there are differences. So Steve, you and I could have met at grad school during an MBA, but I think a lot of our MBA training would be good at that second phase actually. So ironically, even though I think I loved romantically, the first phase of the startup, which is the romance of taking something that didn't exist and bringing it into the world. I was probably trained from my MBA and my previous career as a management consultant at BCG to be better at the growth stage. And so I think, for some people, they're not trained to be better at the growth stage, and they have to get smarter at it really quickly. For some people, they're actually better at the growth stage, but they reminisce about the the romance of four people kind of having pizza at 10pm. And they kind of don't want to leave that. So I was kind of in more the former camp. If you are in the sorry, I was more of that don't make the data camp, don't leave the pizza box. If you are in the group, potential you're scrappy, and you've never, been trained to how to be a big company executives, totally fine. Like, I don't think that should preclude you making the leap from 10 to 100 million CEO, however, absolutely, you will need to surround yourself with great mentors, great investors, and most importantly, the cheat codes, a great team. That's the point at which that executive team who potentially have done that stage of growth before. You need to go and hire them, you need to spend whatever money you can to go and attract those key three or four people like a COO, a CMO, a CTO, and empower them to go and be amazing. And the cheat code there is you get to bring it all together as the founder and CEO, but you hire talent that is all more experienced than you are. And that's how a lot of great leaders do scale to that second phase, even though they've never done it before. It's by hiring a cheat code executive team who can do the job brilliantly.

**S****Steve Divitkos 06:48**

So you mentioned board members and investors. So let's let's talk about capital and its relation to growth. Generally speaking, most people listening to this will understand that growth kind of requires capital. And of course, if you raise equity, the smaller your personal ownership interest in the entity becomes. So I guess in your experience, how have you thought about this trade off where on one hand, you need capital to fuel growth, but on the other hand, if you endlessly raise capital, you can dilute down your own personal ownership interest to something much smaller than perhaps you contemplated at the beginning? I guess, at a general level, how have you thought about that trade off?

**A****Anthemos Georgiades 07:29**

So two thoughts on that, I think the first one is, for better or worse, Zumper is on the venture capital path. We've reinvested our revenue in our team and in growing, and so consequently, we've every couple of years raised have subsequently large venture capital rounds. And on that treadmill, I see our outcome is pretty binary. I think if Zumper is successful, it will be a homerun outcome for our investors and our team. And whether it's on the smaller end of potential outcomes, or on the bigger end, it could be life changing for every single one of our employees. And then the other outcome, like any venture backed company is yeah, you could not make it, you could run out of money or that your industry hits a snag or you make a wrong turn. And so because I kind of see our outcome is binary. And it is not as simple as that, there are many shades of this. But because it's somewhat binary IR outcome, I'm not too worried about the dilution aspect, because for the right capital raise, if it helps us skew the probability higher that our outcome will be in the first part of the next hit or an IPO. I'm not too worried about the dilution, because I just I know that it will be life changing for my whole team. So I kind of have that mentality of our outcome is binary, let's just make sure it's on the right path of binary. And whatever dilution we take on the way is part of the game. However, there is a more nuanced way to look at it, which is, as you said, Steve, every round there that these two factors, you have dilution from the equity raise, and then you have a new valuation. And so those two kind of mathematically pay off against each other where your valuation increases, but then the effective price per share doesn't increase at the same rates because you take dilution on the way. And so the the the kind of key number I look at always is the price per share, because the price per share will reflect that combination of how much of a step up did you take on valuation, but then how much was that step up pegged, backed by dilution or the addition of a new option pool. And that will bake into your price per share. And I think that your employees are probably thinking about it the same way. If they have 10,000 shares, and the company valuation doubles, they will expect that like that 10,000 shares if they used to be worth \$10,000 will be worth \$20,000. But then with dilution, it might not be 20,000 it might be more like 17,000 or \$16,000. And so I think starting to get your team especially in the growth stage to think not about dilution and even not so much about the value, because that's just a vanity number. But to think in terms of their price per share, is the best way to bake it into a number to see if you're comfortable with it. I think as you approach an IPO, so kind of as you go through your growth stages, because you're starting to get close to liquidity, that price per share is also realistically what it would turn up in their Robinhood account as showing as a good mental model for your team to start thinking about the value of their equity.

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Steve Divitkos 10:27

So as a well funded, VC backed startup, you are correct in noting that the venture capital model is such that, VCs will make 10 investments, nine of them might produce a zero or perhaps 1X return. But the one that does return more than 1x could return 10, 20, 50, 100X. That's not necessarily always the case with other businesses that have been around for a long time and or are not backed by a VC. So it's generally the case with founders when it comes to taking external capital. The old saying is that you have to choose which one do you want to be? Do you want to be rich or do you want to be king? Some people point to, Mark Zuckerberg and Bill Gates and say you can be both but generally speaking, that's not the case. It's usually one or the other and