

GLOBES

"Telling people they're fired is terrible"



startup

14 Aug, 2022 11:18

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Three tech entrepreneurs talk to "Globes" about the psychological pressure of dealing with the slowdown in the industry.

The life of a startup entrepreneur has never been an easy one. The process of setting up a company seems romantic and exciting from the outside, and entrepreneurs are constantly striving to convey a sense of success and control. But the reality of running a startup, in most cases, is chaotic, rife with problems, crises, and uncertainty.

The current high-tech crisis, however, has confronted entrepreneurs with even greater challenges - and on all fronts. They are finding it hard to raise funds from investors, and customers are cutting back. Startups must cut costs quickly, and begin lay-offs, despite having just hired staff.

Of course, entrepreneurs bear some responsibility for the current situation, as they greatly expanded their companies' workforces, and spent too much during the period last year when easy money was abundant. Also, clearly, the biggest victims are, first of all, the employees who were fired, sometimes quite soon after hearing from their managers that everything at the company was going well. According to the industry tracking website LaStartup.co.il, since the beginning of the crisis, Israeli technology companies have laid off over 3,500 workers in Israel and abroad.

Nonetheless, it is also important to talk about the enormous difficulties faced by the entrepreneurs, some of whom are young people in their twenties. For this article, three entrepreneurs agreed to share their difficulties with us, speaking candidly but remaining anonymous.

"It's impossible to raise funds - VCs have halted investing"

Guy is no beginner. He went through the dot.com crisis of the early 2000s, sold his first start-up, and now heads his second. Although experienced, Guy admits this has been a very stressful time for him. "The current situation in the market is that it's impossible to raise funds. The venture capital funds haven't gone quiet, they're willing to meet you, but in practice they've completely halted investing. You'd expect the funds at least to help their existing portfolio companies, but some don't do that either. They say: 'Get it together and don't count on us.' Because of that, some start-ups are closing down, and others are rushing to find a buyer."

Despite the crisis affecting many companies, there is still high demand for developers within other segments of Israeli high-tech. Guy's startup has already laid-off staff, but at the same time he is also dealing with the threat of attrition of remaining employees.

"I feel that my workers are looking at me closely to see if I'm in a bad mood, to figure out whether they should look for somewhere new. There are situations in which you lose your confidence, and take the pressure out on others."

Guy's biggest fear is disappointing his investors. "Other entrepreneurs tell me that, if the worst comes to the worst, they'll close the company down, but I feel a deep commitment to the investors who put money on me personally. It's very hard and takes emotional resilience."

"Some employees took their frustrations out on me "

Eyal, a data science entrepreneur, merged his startup with a larger company a few months ago. He remained in a senior position even after the transaction, and therefore had to manage the current staff cuts, one of many happening in the Israeli and global high-tech industry at present.

"I had to fire five of our employees in the US via Zoom, great employees in the product, marketing and sales divisions, not bad employees. Just last January, we'd told our staff how we'd multiplied last year's revenue five times over, and were going to triple that again this year. And now, I suddenly have to inform them that they're going home."

To do the layoffs, he rented a cheap room in a hotel in another city. "I told my wife that I had to go offline for two days and make these calls without any background noise. No kids at home, or work phone calls about fixing bugs. The layoff calls were terrible. Not all the employees understood the situation and some of them took out their frustration on me. After I finished, I curled up in front of the television and I watched 'Family Guy' for two hours. I couldn't move."

Besides the layoffs, says Eyal, another difficulty is dealing with investors. "Some investors, especially the big ones who know the market situation, are very supportive. But there are also smaller investors, private angels, who are disconnected from reality. They're angry about why you've missed your targets and why you have to fire employees right now."

A recurring difficulty described by the entrepreneurs is dealing with the current uncertainties. Uncertainty as to how the market will look in a month or in a year, and uncertainty as to investor expectations. "Everything happened very suddenly," says Eyal. "I remember that before the Passover holiday, our investors told us revenue growth was the most important thing. Suddenly, after the holiday, all they wanted to talk about was the need to be profitable."

"We're trying to be transparent with our employees "

Dan, a young entrepreneur who only last year founded a start-up in the area of performance measurement, can count himself lucky. He managed to raise a significant seed round just before the crisis hit. But in the world of start-ups, after your first funding round, you immediately must start work on raising the next one.

"This is a hard time. You find out that things which were supposed to be definite are now in doubt. Previously, I knew what I had to do: I knew that if I reached a million-dollar sales target, I'd be able to raise more money, and build a big company. But now, it's not at all clear when I'll be able to raise funds, and how much. We drafted a budget that allows us to survive until June 2024, but even then it might not be possible to raise additional funding. Plus, if my calculations are wrong, it means that the business will close. It's frightening."

Dan takes care of his mental health, especially these days. He sees a psychologist, does acupuncture, and makes sure to exercise every day. "I'm a risk-taker and thrill-seeker by nature, so despite the difficulty, this crisis has also challenged me. I intend to do my best, and if it doesn't work, that's fine too. My partners and I also try to be as transparent as possible with our employees."

"Worthwhile having outside help"

A long article published this month by *Business Insider* accused the investors - the venture capital funds - of not being attentive to entrepreneurs' hardships, and these days, preferring to ignore them.

Global venture capital fund Ibex Investors decided to take the issue seriously by supporting the mental health of the founders and senior managers at their portfolio companies. As part of the program initiated by Ibex, entrepreneurs and managers receive two initial sessions with a professional therapist free of charge, after which it subsidizes additional sessions significantly.

Ibex partner and managing director Nicole Priel says of the rationale behind the decision: "As much as we try to be humane towards our entrepreneurs, and to reassure them that things may go at a slower pace than they thought, especially in times when the market is in decline, we think that it is also worthwhile bringing in someone from outside to help them personally and mentally.

"Entrepreneurs are very competitive types who work 24 hours a day and seven days a week, and it is important that they also take the break they need. In the end, we invest in people, and if their stability cracks, the company is in danger."

" A lesson in humility for Israeli high-tech "

Gali Bloch-Liran, a consultant for entrepreneurs and investors, supports start-ups in their day-to-day activities, and knows their difficulties and moments of crisis intimately. She says that to weather the storm, entrepreneurs should first of all ensure strong and close communication with their partners, investors, and employees. "When startups fire staff, they need to communicate to those employees that they are not to blame. There is something very painful about these layoffs for all involved, because those who must leave are not unappreciated, so it creates internal frustration."

Bloch-Liran views these times as a litmus test of an investor. "Right now, entrepreneurs can discover the true character of their investors: some of them stand by their side in helping to obtain bridge loans, greatly assisting in follow-on funding, while others get cold feet and aren't supportive, or aren't sensitive enough to the complexity of the situation.

"In many respects, this crisis is an important lesson in humility for Israeli high-tech. It's an opportunity to learn how important it is to set resources aside for a rainy day and conduct yourself prudently, and an opportunity for the entrepreneurs to remember where they came from."

Published by Globes, Israel business news - en.globes.co.il - on August 14, 2022.

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