



Leadership Transition and its Impact on Organizational Culture and Retention and Performance: A Case Study from an Indian EdTech Start-up

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Abstract:

The study focuses on a case of transition in leadership in the Indian EdTech unicorn Unacademy that changed the founder-led management to professional CEO in May 2025. The proposed study focuses on analysing the effects of change of leadership on organisational culture, staff retention and organisational performance in the dynamic Indian EdTech sector applying an in-depth financial analysis, human performance and organisational dynamics during the transition period between 2022 and 2025. According to the analysis, it can be stated that a transition of this kind can result in a very strong impact not only in the inner processes of an organisation but also the way it is positioned in the market. Through the overview of strategies that were carried out in the course of this period, this research will uncover best practices in managing changes in leadership in the same fast-paced sector. In more detail, the paper takes a closer look at cases and instances in which the company values, working environment, and employee turnover and performance were impacted in one of the most important stages of scaling when a founder-CEO had to leave the office and be substituted by a professionally trained professional. The case presents valuable lessons on both the challenges experienced in



passing the management of founders and the cultural adaptations which accompanies professional management and its impacts on employee retention and morale and business performance of fast-growing startups.

Keywords: Leadership Transition, EdTech, Organizational Culture, Business Performance, Employee Retention.

Introduction:

The education technology (EdTech) industry in India has been going through exceptional expansion throughout the COVID-19 pandemic. It is during this time that companies like Unacademy, BYJU and Vedantu also became unicorns in addition to drawing in billions in terms of investments (Das, 2025). The post-pandemic era has however introduced severe issues, which have forced such businesses to reconsider their organizational structures, business concepts, and working strategies (Mishra et al., 2024). A special interesting case study is the transition of Unacademy which has been under the founder management to the professional CEO management which has illustrated how shift in leadership can drastically change the culture of an organisation, besides the phenomena of employee retention and performance of a company (Sharma & Nair, 2023).

Initially, the Unacademy was a YouTube channel at its inception (2015) by Gaurav Munjal, Roman Saini and Hemesh Singh. It has since expanded to emerge as one of the most widely utilized platforms of online learning in India. The company achieved the unicorn status in the year 2020 and in the same year 2021, reached its maximum valuation of \$3.4 billion (Dhanrajani, 2025). In spite of this, by the year 2025, the firm was set to undergo a significant leadership transformation, with all three of its founders leaving their operational positions and Sumit Jain, a professional manager, taking over as CEO (Mehta & Kapoor, 2024).

Research objectives



- To examine Unacademy's shift from founder-led to professional CEO leadership on organisational culture, employee retention, and company performance in India's competitive EdTech sector.

Literature Review

Leadership Transition in Startups- Studies reveal that less than 25% of venture-backed enterprises continue to be headed by their founders by the time they achieve an initial public offering. The shift from entrepreneur to professional CEO marks a pivotal moment that can profoundly influence organisational performance and culture. Leadership transition studies indicate that the transition from founder-led to CEO-led organisations generally entails a progression from individual contributor roles to the development of systematic organisational skills (Smith & Johnson, 2023).

Organizational Culture and Change Management- The leaders' behaviours, value, and decision-making procedures are the main aspects that significantly affect the organisational culture (Schein, 2017). The change of leadership can lead to significant cultural shock, especially when it comes to replacing charismatic leadership of the founder by systems that entail managerialism embraced by professionals. In the aim to successfully introduce the cultural change, one should be able to carefully regulate the expectations of the employees, organise the forms of communication and make sure that the strategies should be oriented toward the values of the organisation (Kotter, 2012; Wharton Executive Education, 2014).

Employee Retention and Morale- Efficiency of the changes in the leadership influences the morale of the employees in several aspects including trust, empowering, acknowledging the efforts of the employees, and conflict solution (Bass & Riggio, 2006; Dirks & Ferrin, 2002). Studies show that transformational leadership styles tend to make employees happier and more likely to stay with the company, while autocratic styles tend to make employees less happy and more likely to leave (Judge & Piccolo, 2004; Harter et al., 2002).



Business Performance- When there is a change in leadership, especially in fast-growing fields like EdTech start-ups, it can change the culture of the organisation because new leaders have different values, ways of communicating, and strategic goals (Schein, 2017). Leadership changes have an effect on business performance in both the short and long term. At first, changes in decision-making, shifting priorities, and employee resistance may lead to a short-term drop in productivity and revenue growth (Karaevli & Zajac, 2013). However, if done right, bringing in professional leadership can improve governance, operational efficiency, and scalability, which will ultimately lead to better financial performance (Wasserman, 2017).

Methodology

This case study uses a mixed-methods approach, integrating qualitative evaluation of organisational changes with quantitative analysis of financial and employee metrics. Among the data sources are:

- Financial Performance: Revenue, losses, and cash burn data from FY23-FY24.
- Employee Metrics: Layoff data, workforce reduction statistics, and employee ratings.
- Leadership Analysis: Examination of leadership exits and appointments.
- Cultural Assessment: Organizational culture ratings and employee reviews.

Case Study Analysis

Company Background and Growth- This is demonstrated by Unacademy, which has grown into a unicorn as a YouTube channel with a market value of 3.4 billion dollars (Dhanrajani, 2025). The success of the company was based on the dream of its founders to democratise education and the ability of the company to leverage technology to reach out to millions of learners across India. By 2024, Unacademy had served to educate over 100 million students and team up with over 60,000 instructors.



The Leadership Transition- This restructuring has started in a big way in 2022 as Unacademy (undertook) its first major layoffs, affecting 1,000 employees (Sunset, 2023). This marked the beginning of a long period of reorganisation and leadership change within the organisations.

Table 1: Key leadership changes included:

| Year | Key leadership changes |
|------|---|
| 2023 | COO Vivek Sinha and CFO Subramanian Ramachandran resigned (Dhanrajani, 2025) |
| 2024 | Co-founder and CTO Hemesh Singh stepped down to an advisory role (Moneycontrol, 2024; Patwardhan & Patra, 2025) |
| 2025 | Founders Gaurav Munjal and Roman Saini exited to focus on AirLearn, with Sumit Jain appointed as CEO (Times of India, 2025; Entrepreneur India, 2025; Sharma & Mukul, 2025) |

Multiple factors contributed to the move, including the founders' unwillingness to lead the company's pivot to capital-intensive offline coaching centres and their increased concentration on the language learning app AirLearn (Times of India, 2025; Thapliyal, 2025; Storyboard18, 2025). Both of these considerations played a role in why the transition occurred.

Financial Performance and Operational Changes- The leadership transition period coincided with significant financial challenges and operational restructuring.(Times of India, 2025; Entrepreneur India, 2025; Fintrex Media, 2025; Quick Cap, 2025).

Table 2: Key Financial and Operational Metrics during Leadership Transition

| | |
|--------------------------|---|
| Financial Metrics | Revenue declined 7% from ₹907 crores in FY23 to ₹840 crores in FY24 |
| | Losses reduced by 62% from ₹1,678 crores in FY23 to ₹631 crores in FY24 |



| | |
|----------------------------|--|
| | Cash burn reduced from over ₹1,000 crores annually to under ₹200 crores |
| | Company valuation dropped from \$3.4 billion peak to approximately \$800 million |
| Operational Changes | Strategic pivot from online-only to hybrid offline-online model |
| | Focus shift from growth to profitability and operational efficiency |
| | Closure of multiple acquisition-led ventures |

Impact on Employee Retention- The leadership transition had profound implications for employee retention (Moneycontrol, 2024).

Table 3: Impact of Leadership Transition on Workforce Reduction and Employee Morale Metrics

| | |
|---|---|
| Workforce Reduction (Moneycontrol, 2024; Economic Times, 2024; Sil, 2024; Mishra, 2024) | Total layoffs exceeded 1,600 employees between 2022-2024 |
| | Workforce reduced by approximately 50%, from 6,000 to 3,000 employees |
| | Multiple rounds of layoffs: 1,000 (2022), 350 (2023), 250 (2024) |
| Employee Morale Metrics (Glassdoor, n.d.; Indeed, n.d.) | Overall employee rating: 3.1/5 on Glassdoor |
| | Culture rating: 3.3/5, Management rating: 3.0/5 |
| | Job security rating: 2.7/5, indicating significant employee concern |
| | Work-life balance rating: 3.2/5 |

Organizational Culture Transformation- The leadership transition catalyzed fundamental changes in organizational culture (Flint, 2020; Economic Times, 2023).



Table 4: Organizational Culture Shifts

| Pre-Transition Culture (2015-2022) | Transition Period Culture (2022-2025) | Post-Transition Culture (2025-onwards) |
|--|---|---|
| Founder-led, vision-driven leadership style | Unstable leadership with multiple senior exits | Professional, operational leadership approach |
| Centralized decision-making with rapid execution | Fragmented decision-making processes | Process-driven, structured decision-making |
| Innovation-focused startup culture | Survival mode mentality focused on cost-cutting | Efficiency-focused culture with hybrid business model |
| High employee morale during growth phase | Declining employee morale (3.1/5 rating) | Uncertain employee morale during transition period |
| Strong retention rates pre-2022 | Poor retention with 50% workforce reduction | Retention outcomes yet to be determined |

Sumit Jain's Profile and Leadership Approach- Sumit Jain, the newly appointed CEO, introduces a distinctive profile to Unacademy's leadership. A graduate of IIT Roorkee, Jain has experience at Oracle and earlier established Common Floor, which was acquired by Quikr in 2016. He became part of Unacademy in 2020 following the acquisition of his firm Opentalk and attained co-founder status in 2023 (LinkedIn, n.d.).

Jain's leadership philosophy underscores the following:

- Operational Excellence: Focus on building scalable processes and systems.
- Creator Economy: Experience in building platforms that empower educators.
- Technology Integration: Strong technical background and product development skills.
- Professional Management: Structured approach to business operations.



Challenges and Implications

Cultural Resistance and Change Management- Important cultural difficulties were brought about as a result of the change from founder-led management to professional management (Study.com, 2023):

- **Resistance to Change:** Employees were forced to deal with uncertainty regarding the direction the company was headed in as well as their job security. Traditional startup incentives, such as free meals, were eliminated, which served as a reflection of the cultural shift towards efficiency.
- **Challenges in Communication:** In order to address employee concerns regarding layoffs and strategic direction, leadership changes necessitated considerable communication.
- **Concerns Regarding Trust and Morale:** The succession of leadership departures and layoffs resulted in trust concerns and had a detrimental effect on the morale of the workforce (Ellis, 2024).

Strategic Realignment- The leadership transformation corresponded with essential strategic alterations:

- **Business Model Evolution:** As the business model evolved, different leadership competencies were necessary to make the transition from an online-only strategy to a hybrid offline-online approach.
- **Profitability Focus:** The transition from expansion at any cost to sustainable profitability required a disciplined approach to business operations.
- **Market Competition:** Increased competition in the market from firms such as PhysicsWallah and traditional coaching institutes necessitated a strategic repositioning of the company (Backstage with Millionaires, 2024, April 2).

Lessons Learned and Best Practices



Successful Transition Elements- In spite of the difficulties, numerous aspects of Unacademy's transformation offer valuable lessons, including the following:

- **Internal Leadership Development:** Selecting Sumit Jain, a corporate member since 2020, ensured continuity and retained institutional expertise.
- **Strategic Clarity:** Expectations were aligned through clear communication regarding the move to offline expansion and profitability.
- **Financial Discipline:** The new leadership has exhibited significant gains in operational efficiency, as seen by the significant reduction in cash burn.

Areas for Improvement-

- **Employee Communication:** Enhanced proactive communication on layoffs and strategy alterations could have alleviated uncertainty.
- **Cultural Preservation:** The preservation of culture required more careful management in order to preserve the positive aspects of the culture while simultaneously executing the necessary changes.
- **Leadership Continuity:** The swift succession of leadership alterations engendered instability that needs to be managed more effectively.

Broader Industry Implications

EdTech Sector Transformation- The experience of Unacademy is reflective of greater trends in the education technology sector in India:

- **Funding Winter:** A decline in investor interest in high-growth, high-burn models has necessitated strategic adjustments (Malik, 2024).
- **Market Maturation:** The normalisation following the pandemic necessitated the development of sustainable business models by companies.



- **Competitive Pressure:** Success stories such as PhysicsWallah have showcased the potential for profitable models in the EdTech sector (Backstage with Millionaires, 2024, April 2).

Leadership Succession in Startups- The scenario underscores essential factors for the succession of leadership in startups:

- **Timing:** The timing of the transition, aligning with market challenges, intensified the effect on organisational culture.
- **Preparation:** Inadequate succession planning led to instability throughout the transition period.
- **Stakeholder Management:** Effective management of stakeholders involved ensuring alignment with the board and maintaining clear communication with investors, which were essential for a successful transition.

Recommendations

For Organizations

- **Succession Planning:** The succession planning process works on developing all-inclusive succession plan, which includes cultural continuity provisions.
- **Change Management:** Change Management involves carrying out structured systems of change management in the case of changing leaders which is a remarkable part of change management.
- **Workplace Communication:** Make all the communication channels open and free so in a bid to clear problems and make morale healthy.
- **Preserving Culture:** Recognizing what is good in the culture and maintaining it and at the same time making necessary changes is a significant feature in culture preservation.

For Leaders



- **Leadership Development:** Leadership development is a serious business whose progress is constructed in developing leaders over and beyond the top leaders, and an investment in leading skills abilities all through the organisation.
- **Stakeholder Engagement:** All stakeholders such as the employees, investors and the consumers should be engaged during as transitions.
- **Operational Excellence:** Unify innovative leadership and strict operational habits to accomplish sustainable growth.

Conclusion

The change of leadership in Unacademy after founders to a professional management structure of CEO has quite valuable insights on the complex dynamics of the organisational change in very fast-growing startups. The case depicts that comprehensive control is required to diminish the negative influence of the change of leadership, even though it can be a key to development of an organisation.

The most prominent barriers were occurrence of frequent layoff, shaky leadership, and lower staff morale, during a changeover period (2022-2025). The appointment of the new CEO, Sumit Jain who would assume office in the year 2025 is however an advantage that would enable the organisation to go through a process of cultural reconstruction and organisational revitalisation.

These are amongst the most significant findings:

1. Leadership transition in startups can influence the organisational culture to a significant extent because of which it is important to introduce proactive change management strategies.
2. Keeping employees in the change is a hard task and this is made worse when it is accompanied with cost cutting measures and restructuring of operations.



3. In as much as professional management can be used to achieve operational discipline, it might require delicate combinations with other areas of culture, which have already existed.
4. Effective communications as well as involvement of stakeholders are key elements of a successful leader transition.

The case study of Unacademy showcases the importance of making aspirations of growth to correspond with business sustainability, the need to have comprehensive succession plans, as well as the inadmissible power of leadership in shaping the organisational culture. Organisations should learn lessons out of such experiences as the Indian EdTech industry develops and develop resilient and more adaptable organisations that will be able to remain successful in the ever-changing market conditions.

The long-term viability of the leadership change process within Unacademy depends on the ability of Sumit Jain to restore the trust of the employees and remodel the corporate culture and to successfully execute the strategic change of the company to the sustainable and profitable business operation. This case study will be a good reference to start-up ventures that face similar changes in leadership and culture.

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