"VINEET BAJPAI... AN IMPRESSIVE SUCCESS STORY."
CNBC TV18

VINEET BAJPAI

BUILD

FR  OM

SCRATCH

REAL STRATEGIES AND PROVEN METHODS TO BUILD START-UP BUSINESSES

JAICO

BUILD

FR  OM

SCRATCH

REAL STRATEGIES AND PROVEN METHODS TO BUILD START - UP BUSINESSES

VINEET BAJPAI

JAICO PUBLISHING HOUSE

Ahmedabad Bangalore Bhopal Bhubaneswar Chennai
Delhi Hyderabad Kolkata Lucknow Mumbai

Published by Jaico Publishing House
A-2 Jash Chambers, 7-A Sir Phirozshah Mehta Road
Fort, Mumbai - 400 001
jaicopub@jaicobooks.com
www.jaicobooks.com

BUILD FROM SCRATCH
ISBN 978-81-8495-291-9

First Jaico Impression: 2013

Page design and layouts: Special Effects, Mumbai

To Dev and Vano

Contents

I'm speaking for all of us.
I'm the spokesman for a generation.
— Bob Dylan

Acknowledgement

I often wondered why most books start with an acknowledgement section. It was only during the writing of this book that I realized the importance of these pages. I realized that although a book cover may display the name of only one author, there are many others who play an equally critical role towards the book finally reaching the readers' hands. 'Build From Scratch' is no different.

First things first. At a lot of places in the book I have been forced to use the word 'I'. I want to emphasize that every time an 'I' has been used, it should be read as a 'we' and as salutations for the numerous people who have been my teammates and the real unsung authors of this book. Similarly, each time a 'he' or 'him' has been used, only because it made examples appear more conventional, it should be treated as a 'she' or 'her'. Honestly, like most other things, women perhaps make better entrepreneurs than men!

The single most important point I would like the readers to keep in mind is that while at some places the book speaks about my companies as Magnon Solutions and Magnon International, our status as independent agencies till 2012, we are now a proud member of the TBWA\ network and in turn an integral part of the Omnicom family. Magnon Solutions is now MAGNON\TBWA and Magnon International is MAGNON E-GRAPHICS. Both my companies were acquired by Omnicom / TBWA in December 2012, and this was perhaps the single most rewarding step in our entrepreneurial journey. It is such transformational leaps in an entrepreneur's life that build winning stories.

Unlike popular belief, an entrepreneur is the least independent or self-dependent guy in the world! He or she needs more people-support than perhaps any other professional. So obviously and most sincerely, I would like to express my gratitude to my entire team at MAGNON\TBWA and

MAGNON E-GRAPHICS. Vivek Merani, Nitin Naresh, Krishna Jha, Prashant Misra, Naved Aqueel, Sunil Ahuja and many more extraordinary people who have helped me with my company, my book and my life. Vivek, Nitin, Krishna and Prashant – you guys are among my life's greatest treasures. Thank you.

The two people to whom I remain deeply indebted are Keith Smith and Alain Rhone. Keith is a rare blend of corporate statesmanship and entrepreneurial energy. His enthusiasm is infectious, his leadership inspirational and his warm demeanor exemplary. He is a visionary. And he is my mentor. Alain is my precious friend, philosopher and guide. I wouldn't be here today without his constant support and affectionate encouragement. He carries a stunning combination of detailed operational prowess and an expansive corporate vision. And I know he manages a lot of my mistakes with his typical large-heartedness. Thank you for being who you are Alain.

There are several other people from the Omnicom and TBWA\ families that I need to express my gratitude to. Dara Akbarian, for being one of the sharpest and most elegantly stylish people I have met in my career. You have unknowingly taught me so much Dara! Thank you for being there. I want to thank Philip Brett, for being the one to notice us in a crowd, and for driving the initial phase of Magnon's acquisition. He continues to be someone I feel both very connected and very indebted to. Thank you, Philip. I have to mention Neeraj Puri, whom I lovingly call my 'guardian angel', for being a brotherly figure and a shoulder to lean-on amidst a tough corporate environment. He is like a walking workbook of Indian company law and taxation, and yet a source of endless laughter!

I'd like to thank Emmanuel Andre for making me feel important and significant in the mammoth TBWA\ universe. Emmanuel you amaze me with your humility, inspire me with your achievements and drive me to strive for more. You are my star! I express my sincere gratitude to Denis Streiff, who is kind, supportive and accessible despite his seniority and enormous stature. Thank you, Denis. I want to thank Stuart Sproule for being a fantastic leader and the truest digital media evangelist I have ever met. His calm demeanor is comforting and his inclusive management style is something to learn. Really awesome to have you around Stuart.

The two people I must thank are Ramzi Raad and my friend, Reda. Thank you both for wholeheartedly welcoming me into the TBWA\RAAD family. I want to thank Darren Jackson for being so patient and so understanding with my team and me. Your support and your warm approach have been truly helpful Darren. I'd like to thank Louise Upperton for guiding me at every step and for carefully planning the rebranding of Magnon Solutions and Magnon International to MAGNON\TBWA and MAGNON E-GRAPHICS respectively. I cannot complete this section without thanking my friend, Jason Kuperman, who has been a support system and without whom the MAGNON\TBWA story wouldn't have started.

There are so many more people from TBWA\ and Omnicom who have touched both my professional and personal lives – Ghassan Kassabji for being a friend and a believer in our story; Myles Peacock and Paul Hosea for their trust on us; Ralph Khoury for never letting us down; Noah Khan for leading the pack; Manosh Mukherjee for being an elder brother; Shiv Sethuraman for being a wonderful blend of style and class; Elaine Stein, Tuomas Peltoniemi, Parixit Bhattacharya, Oz Dean, William Riker, Nirmalya Sen, Aejaz Khan, Subho Sengupta, Adam Sharp, Candace Wong, Chris Galea, Kruno Ivancic, Carol Tham, Sally Chan, Sunil Nair, Doris See, Anne Spelman, Jason Clement, Peter Bassett... I owe so much to all of you! Thank you so very much for everything.

I must thank Manoj Ghai and Asheesh Khanna, my first angel investors who believed in me when no one else did. Praveen Puri, Director – Skyline Business School, New Delhi, has been my greatest source of academic and entrepreneurial encouragement, without whose faith I would have never been a part of the academic community.

I feel compelled to thank a lot more people who have been a constant source of encouragement throughout the writing of this book – my publisher and friend Akash Shah, who I feel is one of the most forward-thinking leaders in India's publishing landscape; RH Sharma, former Chief Editor, Jaico Publishing House, who is a mentor and an enormous support; Sandhya Iyer, Deputy Managing Editor, Jaico, for all her patient support and kindness; Meera Menon, my super-fun and super-talented editor; my dear friend and intellectual soul-mate Gaurav Bhatia, a legal luminary who helps me keep the torch of ambition and passion burning at all times; Janmejay Rai, one of the finest human beings and corporate law professionals I have met in my life; G Mukund from GE for being a mentor and a valuable professional inspiration (and the inspiration behind my failed attempt at Krav Maga!) and Pankaj Bajaj, MD, Eldeco, for teaching me that only courage prevails when adversity becomes as transient a companion as success has forever been.

These pages would be incomplete without the mention of Navin Chawla, former Chief Election Commissioner of India and celebrated author, for being my role model in so many ways; Anil Shastri, Chairman, Lal Bahadur Shastri Institute of Management, for keeping the legacy of late Lal Bahadur Shastri (former and loved Prime Minister of India) alive and imparting value-based management education even in today's harsh times; Shereen Bhan, Executive Editor, CNBC TV18, for being an ever-helping friend and a stunning combination of brains and beauty, style and substance; and Shruti Sharma, NewsX, for encouraging upcoming entrepreneurial talent via her excellent programme.

Aarthi Ramakrishnan for being the smartest woman I know on this planet (and for having a beautiful heart that matches her intellect); Arvind Bajaj for showing me how success and fun need not be mutually exclusive; Tanuj Nanda for being such an exemplary combination of affection, wit and simplicity; Shashank Sheokand for being a dependable friend and a real life hero; Shibil Malik for coming as close to being a rock-star as is possible while staying in the corporate sector – and for being a shoulder to lean on at all times; Ash Kapur for making me experience the closeness of a childhood buddy; Sushil Nanda for being no less than a real father to me and for showing me that sex appeal has nothing to do with age; and finally my elder brother Varun Bajpai, who really is the personification of talent, God-gifted intellect and professional excellence. He is my hero.

To put it in the most uncomplicated manner, my wife, Munisha, and my daughter, Vandita, are the very breath I take. They are the soul of my universe.

Finally, I would like to express my indebtedness to my father, Gp. Capt. (Retd.) DN Bajpai, for being a fantastic teacher, critic, friend and the man I hope to become one day. And to my mother, Vandana, whose unbelievable simplicity and love are the greatest driving forces in my life.

Thank you.
Success and Spirit,

Vineet Bajpai

However many holy words you read, however many you speak, what good will they do you if you do not act on upon them?

—Buddha

Preface

I want to do it because I want to do it.
—Amelia Earhart

How many of us work day in and day out with some well-known organizations for years without getting the recognition we have always wanted? How many of you are students who hope to make it big in the corporate sector and in life? How many of us have actually been able to achieve all that we feel we are capable of? Why is it that even when we put in twelve hours of work each day, we earn only enough to keep going? And why is it that some people work just the same and earn in a single day what we earn in a whole year?!

Why is it that most of us don't even know exactly how much a Mercedes E220 costs, while some others drive them in an it's-no-big-deal manner? How can some people buy bungalows in posh localities when the only house most of us can afford is that small apartment through a loan with an EMI scheme? It's just destiny, right? Wrong.

Please get me right. I do not mean to pose these questions in a negative tone. I am only trying to offer reflections of what most well-educated yet middle-class people ask themselves and each other often. And the truth is that if these questions disturb you even a small bit, they do possess some harsh realities within them. Also, I am in no way trying to say that working in corporations or government organizations is in any way inferior when it comes to professionalism. A lot of successful people we read about in newspapers and watch on television are individuals who have devoted their lives to organizations to eventually reach the heights they had aspired to.

However, we must also try and answer these economic puzzles. Who are these people who zip past us on the roads in long cars and become darlings of the media? Who are these people who dine with ministers and film stars and head commerce and industry chambers? Who are these people who own private jets and run parallel economic governments? Almost invariably, you will discover that there is a courageous, driven entrepreneur and business leader behind the picture: someone who decided to think out of the middle–class box; a magnificent man or woman who chose to take the long, tough road to glory and success over the simple 9 to 5 employment route; someone who thought a little ahead of his or her generation; someone who offered employment to hundreds and thousands rather than appearing for interviews every two years; someone who broke the rules to push for the impossible.

This book is a sort of handbook on how you can become that 'someone'.

Let's work together through this book to get you closer to the possibility of being part of this coveted club. Let's do some deep-diving into the world of start-up businesses and entrepreneurship.

Every thousand mile journey must begin with a single step.
—Lao-Tsu

I read this saying over fifteen years ago, but little did I know then that this would one day change the entire course of my professional life. I developed a strong orientation towards building and managing my own enterprise back in the early days of my B-school education. I had long discussions with seniors, professors and colleagues on the same thought. To my disappointment, I realized that although a large number of people agreed with and shared my interest, very few actually planned to go all the way and implement their ideas. The reasons were many: security of being with an established organization, stress and responsibility associated with running a business, lack of financial support, inexperience... to name a few. And honestly, I could identify with each one of these reasons.

I joined GE Capital International Services (now Genpact) immediately after I completed my post-graduation in management. The experience of working with one of the most respected and well-managed companies in the world played a key role in developing my understanding of a wide range of professional areas. These included critical aspects like organizational communication, process orientation, team work, an international perspective, quality awareness and an overall professional aptitude. As I always say, it was in this organization that I completed my management education. However, even in that environment, my thirst for building my own organization remained. I would often question my managers and seniors on their views, and almost all of them conveyed similar aspirations, *but nobody was really* ready to do it! It was during those days of introspection and environment scanning that something revolutionary began hitting the headlines. It was the great dot-com explosion. All around me I read stories of magnificent men creating history by building small models on the Internet and gathering staggering valuations. Hotmail.com's Sabeer Bhatia became a household name, and amazon.com's Jeff Bezos was declared Time Magazine's 'Person of the Year' in 1999. Even back home IndiaWorld.com was sold at a mind-boggling price and eGurucool promised to change the face of education forever. Indian venture capital (VC) companies openly declared their plans and willingness to fund Indian dot-com initiatives. It was like a fairy tale.

But before I could assess and analyze the scenario completely, the technology market took a sudden downturn. The very companies that made success stories were declaring closure. Industry analysts were now busting dot-com business models and the scenario was getting worse with each passing day. This worldwide debacle helped me understand some important fundamentals around selecting, launching and running a business: issues of realism, investment raising, long-term revenue models and intellectual capital.

It was during this bloodbath that I launched a tiny company called Magnon Solutions Pvt. Ltd. How the company was formed, how the business areas were chosen, where the financial support came from and how the infrastructure and team were built are areas I would not touch upon (being topics very close to my heart they would probably require another book to be written). But what I would want to tell you briefly is that Magnon started with two people, two hired computers and a small refurbished generator room on the terrace of a building.

In a short span of about a decade, the company is now one of the largest digital media agencies in India and is a widely respected brand in the interactive space. Magnon employs over 150 professionals, has self-owned, state-of-the-art facilities in both Delhi and Mumbai, has won several globally recognized awards and has been ranked among the top 25 Internet companies of the country. You may find it hard to believe, but I started this company with a total capital base of $300. Yes you read that right - about ? 14,000 Today, Magnon is a multimillion-dollar enterprise.

I am by no means trying to say that the company has achieved what it had set out to. No. We are still infants and are in the process of trying to be number one in our business area across all of Asia. Considering our ambitions for Magnon, the journey has only just begun. But what I am trying to say through the brief outline of the Magnon story is that organizations are truly built from scratch by regular people like you and I, not superhumans. The growth the company has seen has been impressive taking into consideration the very basic resources it started out with, and you need to believe that you can write a similar growth story. In the pages of this book, I will try to tell you how.

It was this very fortunate experience of founding and building Magnon Solutions and Magnon International (our global digital outsourcing company) that encouraged me to write this book. This book is primarily meant for all those working professionals, corporate executives, students and even homemakers, who nurture a secret dream of creating their own ventures someday. It is a guide and a friend for them in their journey towards building successful business enterprises.

But can a book really teach someone how to become a successful entrepreneur? Who can say? But the purpose of this book is not to offer a secret mantra towards success and riches. It is a step-by-step narration of how professionals with no (or minimal) financial backing, business background or cutting-edge technology but with lots of fire in their bellies can build and promote their own ventures. The book aims to provide a serious, systematic and realistic approach towards launching an entrepreneurial project in the contemporary business environment. None of the suggestions or guidelines in the book is comprehensive to the extent of universal applicability, but will aim to offer a pragmatic and practical view of the topic being dealt with.

This book will also make interesting reading for those who may not be looking at their own ventures but would like to get into the exciting and gritty world of institution-building, risk, determination and extraordinarily high returns. What runs in an entrepreneurs mind? What drives him? How he manages and retains his people in a fiercely competitive environment and what marketing strategies does he use to penetrate an already well-packed business space? Why does he go through the pain and struggle of creating an organization? Is it just money or something more?

The book will also assist in giving an insight into running businesses on extremely low overheads and resource constraints. A lot of small business owners and existing entrepreneurs may find it quite helpful. The language has been deliberately kept simple and jargon-free to allow the book to be a ready reference for anyone interested in the topic, irrespective of his or her technical and business knowledge.

I sincerely hope this book proves to be a handy tool for India's prospective entrepreneurs, and if it encourages the creation of even one new successful venture, I would consider my task fulfilled.

There is a tide in the affairs of men, which taken at the flood, leads on to fortune.
Omitted, all the voyage of their life is bound in shallows and in miseries.
On such a full sea are we now afloat.
And we must take the current when it serves, or lose our ventures.
— William Shakespeare

BUILD FROM SCRATCH

Real Strategies and Proven Methods to Build Your Start-Up Business

Chapter 1

Entrepreneurship —Welcome to the jungle!

"Like getting into a bleeding competition with a blood bank".
— Richard Branson

The simple fact that you picked up this book to read is an indication enough of your interest in this topic. One of the strongest stimuli that encouraged me to write this book was the scores of common people like you and me I met during my professional career. People who displayed tremendous enthusiasm and inclination towards starting their own businesses, but somehow never really took the plunge. On deeper observation I noted that, among other reasons, the main factors holding them back were a complete lack of entrepreneurial insight and a view that businesses are meant for people with an uncanny appetite for risk. I'm here to break the myth. I'm here to tell you that you can be a business leader too. I'm here to tell you that doing business is not like gambling. Dhirubhai Hirachand Ambani was not gambling when he started a company with a few thousand in his pocket. He was starting a journey towards a dream called Reliance.

It has been understood and accepted by researchers and industry experts worldwide that one of the most important drivers of economic growth in any nation is the creation of a powerful and widespread entrepreneurial ethos. It is this segment of the industry that engineers a dramatic shift in business patterns and fundamentals. A conservative approach to business gives way to high-risk-high-return models. Family-owned businesses give way to professionally managed corporations, and industrious individuals convert corporate ambitions to entrepreneurial dreams, and this entire transformation propels the economy towards a high- growth path.

India today has assumed the role of an information technology powerhouse, and this is being rapidly recognized the world over. Some of the leading names in the arena of start-up success stories have been that of Indians in India as well as in the Silicon Valley. At this juncture, I would like to once again take you down memory lane and run you quickly through what would easily be called the greatest economic massacre of all times – the dot-com explosion. This discussion will find its relevance in the direct impact the dot-com wave made on the entrepreneurial scenario across the world, and the trail that it left behind in the form of individuals who had once tasted glory, and had the undying drive to succeed the next time. Also, it will give you a good insight into the rise and fall (and now rise again!) of a powerful business concept and an opportunity to clearly understand the presence or absence of certain business fundamentals crucial to any commercial activity. This point will become clearer as we proceed further in this chapter.

The dot-com industry started long ago, with numerous ventures and Internet-based initiatives being set up, but the man who brought glamour to this new virtual world was Jeff Bezos. Amazon hit high valuations way back in the nineties, and this kick-started a worldwide tornado, something that seemed unstoppable at that stage. Venture after venture sprang up, and the dot-com fortress grew stronger–not with bricks, not with clicks, but just with astronomical wealth creation on projection sheets. VC funds swung open the doors of their vaults to pour money into the New World Economy. Domain names' registration increased manifold, and Internet pages skyrocketed. A domain name called Business. com was bought at hundreds of thousands of dollars, and cyber-squatting was obviously not far behind. Technology companies found a whole new market of big-buck buyers, and suddenly the world was recognizing the strongest symbol of the New World Order – Nasdaq.

Heaps were being written about dot-coms. And, back then, almost every other B-school student dreamt of striking it big with her or his unique online idea. Valuations soared to unprecedented levels, and the dot-com world became the darling of the media. Business magazines and journals read like fairy tales of successful entrepreneurs who had changed the rules of the game. The glitterati grew with more names like ebay.com, Priceline.com and amazon.com. The dot-com wave seemed unstoppable!

Heroes' tales travel far. Soon the fever was caught on by the rest of the world, Asia being one of the major participants. Dot-com valuations that were unheard of earlier gradually became common parlance, and the new quick-success mantra was adopted by many. B-school graduates opted for entrepreneurial ventures, and bankers and consultants quit settled jobs for the greener pastures of the Internet world. Numerous big companies in consulting and investment banking started losing their best people to the dot-com bands.

New ventures mushroomed on corporate and B-school campuses, and it was almost unfashionable not to be associated with any Internet venture. Corporations and organizations weren't too far behind. Venture funds offered finance to every promising Internet venture, and McKinsey launched 'India Venture 2000'. Caltiger.com, eGurucool. com, Ticklewit.com, Brainvisa.com, Indiaisonline.com, MBA-world.com, Indiainfo.com, Indiainfoline.com, rediff. com, sharekhan.com... the fliers certainly were high. Media again was very enthusiastic about the developments. Dotcom companies were given extensive coverage and the entrepreneurs praised. Needless to say, the valuations were designed slightly away from the basic principles of corporate finance. But then, did that really matter during the euphoria?

Acquisitions were carried out at unprecedented rates and figures, only to add to the soaring market sentiment. At the very peak of the enthusiasm, NIIT did its bit to support entrepreneurial talent and launched 'eMahamillionaire' on campuses. Internet Service Providers (ISPs) too appeared on the scene and offered the basic infrastructure support required to run the show. Another huge opportunity was spotted in the area of B2B models, and this added strength to the dot-com industry. Early success of B2B ventures worldwide brought cheers in the industry circles. The niggling doubts raised about B2C were dispelled by answers in B2B.

The best of talents from the industry, tremendous media hype, millions of dollars, VC firms pumping money, both B2B and B2C business models, sky-high valuations, acquisitions, infrastructure build-up, international support and Mumbai wrapped with dot-com hoardings! The scene was complete.

I always wished for this, but it's almost turning into more of a nightmare than a dream.
— Eminem

The crumbling was gradual at first and then took the form of a never-ending disaster. The venture firms that had invested millions of dollars on the dot-coms, now needed some return on their investment. Slowly, everyone was looking at the earning ability of dot-com companies and the quest for revenue began. Venture after venture stood exposed following their inability to generate robust revenue. Analysts observed this not only in India but also in the US economy. As was inevitable, magazines and journals now began carrying stories questioning the profitability of dot-com companies. The balance sheets of dot-coms began showing sinking patterns and the stock market soon became the next playground of the downfall.

The first to reel under the dot-com debacle were the B2C business model companies. Most of them had revenue models that were based on either e-tailing or advertising. Moreover, with the almost absolute lack of domain expertise among the large number of players and the total absence of multiple revenue streams, the companies were destined to fail. Preset notions of the Internet user base were taking time to change - time that the dot-com companies did not have. The Internet user was still skeptical about transactions security on the Net (especially the Indian user). Besides, the touch-and-feel factor was in any case missing. To top it all, a large number of these e-commerce companies did not have requisite physical logistics support.

Business analysts began dot-com busting in a big way, and it became fashionable to question the basic models behind dot-coms. In India, the biggest blow to the B2C industry came with newspapers and magazines reporting a serious downswing for Raj Koneru and his Indiainfo.com. The dot-com industry in the country received a sudden jolt; thereafter, the decline was much more rapid. The managing director of one of India's largest networking companies declared B2C 'dead' in India, and *India Today* (July 2000 issue) came out with a cover story 'Doubt coms'. Depressed valuations now crashed, and the entire corporate sector recognized the flawed business models of the dot-coms. Even the dot-com companies that were looking strong at that time, for example eGurucool.com (which again could not last much longer and was later bought out by NIIT), were not really in profit-generation mode and were barely managing to keep going and building their brands.

Eventually, companies, entrepreneurs, investors and venture funds together realized that the artificial and short term market euphoria had come to a grinding halt. The market spared only those dot-coms that offered true value to customers and ultimately led to revenues and profit.

What exactly went wrong with so many ventures is something beyond the scope of this book. The inherent flaws circled mainly around weak revenue models, underprepared markets and inadequate logistics' backend. What we should gather from this narrative about the dot-com bubble is that no matter how exciting the story around a concept seems, the objectives of all business activity are the same: revenue, profit and wealth creation. This is the fundamental lesson, however juvenile it may seem, for every aspiring entrepreneur. The dot-com entrepreneurs of the late nineties learnt this the hard way but left us with a treasure trove of start-up insight - a caution story.

Look where the dot-com industry (or should we call it the Internet or digital industry?) is today! Amazon and eBay are still going strong as ever, while Google, YouTube, Facebook and Twitter have transformed the way businesses were believed to be built. The Internet has a lot more to offer through its unlimited penetration and communication strength than could be leveraged fully by the early dot-comers. The ability of the World Wide Web to connect every prospective buyer with every seller, every seeker of information with every source, every organization to every individual cannot be surpassed. Business operations that are possible on the Internet can be so only on this particular medium and cannot be replicated in the physical world. In other words, there lies a whole ocean of Web- based opportunities in various areas of commerce, education, medicine, finance, technology, governance and so on.

No defeat is permanent; definitely not so for gritty entrepreneurs. They are back, and this time, with a lot more style and substance: flipkart.com, quikr.com, snapdeal. com, makemytrip.com, naukri.com, justdial.com, ebay.com, moneycontrol.com, bookmyshow.com, myntra.com phew! Need I say more?

With so much action already taking place in this arena, the future seems unimaginable. The storms of imagination can only be encapsulated by simply repeating Randy Bachman's famous rock song, *"You ain't seen nothin' yet"!*

Global Business Environment for Start-Ups, Risks and Returns

People seldom do what they believe in.
They do what is convenient, then repent.
— Bob Dylan

It has been accepted worldwide that all revolutionary new industries are established on the graves of thousands of start-ups: those that had the drive but not the revenue model, those that had the vision but not the timing, those that went wrong but managed to lay a foundation of knowledge and experience for the industry to later benefit from. It happened with the radio industry in America once. And it happened with the Internet industry the world over. Look where both are today!

As explained with examples at the end of the previous section, the most crucial contribution that the dot-com wave made to the global business sector was that it awakened a sleeping giant - the First-Generation Entrepreneur. The dot- comers came from every nook and cranny of the industry and even beyond. No company, bank, B-school or software firm was left untouched. The entrepreneurs were everywhere. This is clear evidence of the entrepreneurial potential of the Indian youth, whose warriors once invaded Silicon Valley. A country that was producing tons of quality engineers and managers every year needed a knowledge-intensive, specialized business avenue. After software, it was the World Wide Web, and the powderkeg uncoiled and exploded!

It must be understood that the new generation of entrepreneurs that has risen from the ashes of the dot-com debacle has not restricted itself to only tech markets. New ventures have been witnessed in the areas of advertising, call centres and IT-enabled services, manufacturing, retail, healthcare and financial services. Capable individuals are joining hands with institutional or individual investors, and start-ups of all sizes and of all kinds are being launched at an unprecedented pace.

The earlier discussion touched upon the opportunities and areas witnessing powerful entrepreneurial growth. But how suited are the conditions for your dream venture really? Obviously, no business can be a stand-alone model in an economy packed with linkages and environmental stimuli. The external forces that make an impact on any business are numerous such as those of industry growth, economic macros, competitive scenario, market sentiment, government policies and the overall financial and technological climate.

Anyone who has been following the global economic trends even remotely would understand the radically changed industrial scenario over the last two decades. The 'Licence Raj' in India is long over (hopefully!), and the nineties saw a powerful shift towards global business patterns. Geographical boundaries play a significantly reduced role as hurdles towards international trade, and the government is rapidly and continuously deregulating many sectors, including key areas such as power and telecom.

Of course the events of the last one year have dampened the aforementioned 'India Story' to some extent. Whether it is domestic and international analysts condemning retrospective taxation or the public at large feeling cheated by unprecedented levels of corruption and coalition-induced policy paralysis, the sentiment is running low. Some of my investment banker friends tell me that foreign investors are now a lot more circumspect about the Indian conditions than they were till a couple of years ago. It is unfortunate that a country that remained comparatively resilient during a worldwide recession is floundering because of its own internal politico-economic framework. This holds true for many other developing economies besides India, Argentina being a case in point.

Having said that, the environment in India is still not too bad and is perhaps superior to that of many other countries. Moreover, entrepreneurs are meant to be this creed that stops at nothing anyway! I would emphasize that new people and ventures that have brought in dramatic shifts in the traditional methods of conducting commerce have touched almost all areas of business activity. Metropolitan cities and urban centres are teeming with an energetic force of management graduates, engineers and tech-nerds who are aware of financial, operational and consumer-related challenges right from the outset. The pastures have never been greener!

All of us need to be excited about living in an era that is more revolutionary and dynamic than business has seen in the last one thousand years! Not more than a few decades back, most companies took generations to become established business houses. The old economy was a safer, but slower place to be in – years of struggle, lifetime employees, slow market build-up and captive customers. The rules have changed drastically. Facebook, Google, Bharti, Infosys, Apple, Kotak, Flipkart, Reliance, HCL and of course Microsoft are examples of how individuals with drive, perseverance and powerful business concepts have built empires over comparatively shorter time spans. Achtung! I must emphasize that all the fundamental wisdom and characteristics of the old economy play critical roles even now. The difference lies in the evolved value offered by knowledge workers, intellectual capital, bigger risk-taking capability, swifter business cycles, impact of technology, investment into innovation and rapidly growing consumer appetites.

Let's try and take a more micro look at things – things that you can perhaps control or attempt to control.

The 'people' factor that affects start-up businesses has also seen visible changes. I was surprised to see the outcome of a small survey I conducted on a sample of 200 students from two B-schools and an engineering college. An astounding 45% of the students I interviewed were not only willing but also eager to work with start-up companies. This is a radical shift from the 'big company, slow growth, less accountability, secure job' syndrome that most of us suffered from when we were in B-schools only a decade back! This is a small representation of the perception of workforce about young companies. In fact, during the course of my discussion with a few senior corporate managers who quit their big company jobs during 1999–2000 and jumped into the dot-com fray, I realized the true reasons behind these brave decisions.

A senior executive from one of the biggest computer manufacturing companies of south Asia admitted that although his company offered him quite a packet in compensation, there was no 'action' around the organization that he clearly wanted to be a part of. Another senior manager of a Fortune 500 company told me that he felt like a tiny ball bearing in a huge steel plant. He felt he was so expendable that he quit. Narayana Murthy himself was working with a large software corporation before he launched Infosys. No comparisons, but so was I before I started Magnon!

Large corporations and small start-up ventures offer completely different bags of goodies to their people. A big company trains people on processes. New ventures encourage people to innovate. Big companies normally offer heavier pay packets. Start-ups offer infinite opportunities as partners in growth. Most established corporations have unlimited supply of coffee and air conditioning. And start-ups run on adrenalin! And fortunately for the world economy, the supply of talented individuals willing to be on the high-risk–high-return curve of start-ups is increasing by the day. More and more young professionals are entering interview rooms with a will to take the learning path to earning and not vice versa. And start-ups are excellent breeding grounds for these knowledge seekers.

Availability of finance for business is a topic I will deal in extensive detail a little later. However, at this juncture it is important for me to mention the transformation that the Indian economic scene has witnessed in the last few years. Raising financial support for business ventures today is much easier and more professional than it used to be not so long ago. This has been made possible by a combined effort of the government and private players. You will get an insight into various aspects of this topic in the chapter *The First-Generation Entrepreneur's Quest.*

Economical and on-the-move infrastructure is another blessing for the cash-strapped entrepreneur. While rentals for prime office space may have risen, the concepts such as virtual teams and connected-from-home have come up as well. I often wonder how people conducted business without cell phones and e-mail! Anyway, we live in more convenient times when these powerful communication mechanisms exist. We got even luckier when cell phones started costing $200 instead of $2000, and tariffs came down to 5c from $2! And this holds true for not just cell phones but for almost all generic infrastructure requirements for running a commercial setup. Internet use is now extremely reasonable, laptops come cheaper, air conditioners no more carry the luxury segment price tag and even flight tickets are not where they used to be –and all these are absolute essentials for business today. An entrepreneur from a SOHO (small office, home office) can today work with high effectiveness simply by using a single machine for phone, fax, copier, printer and scanner, while using her smart phone as a phone, computer, document manager and private secretary!

To be honest, it is impossible to tell today which company is working from a corporate tower and which one from a studio apartment, till you really read the address line. And elegant websites make brilliant brochures and online addresses.

Outreach to global markets has been another clear and present movement towards better and bigger opportunities for the new entrepreneur. The entire gamut of IT services, call centres, BPO and other export oriented businesses run on the foundation of strong international acceptability. This was obviously not available to the corporate sector in the pre- liberalization era before 1991 in some large Asian countries and a little before that for Latin American nations. Also, the currency and time zone differences combined with powerful technology support have given birth to completely new and revolutionary business models that could not have been thought of till as recently as ten years ago. IT-enabled services, which are part of one of the sunshine industries of the Asian economy today, are a direct outcome of this concept. Naturally, a majority of successful and high-volume business start-ups have been in this particular sector. But the excitement is not just restricted to the flashy sectors of technology and telecom. Today a small bunch of women entrepreneurs from a village in Texas are able to sell textile products at leading department stores in the United Kingdom. Today young Japanese start-ups are able to pitch to customers sitting in San Francisco for custom-made beach wear. And the boundaries are dissolving more rapidly than ever.

Finally, **widespread acceptance and commercial use of the Internet** have been a driving force behind overcoming whatever few barriers remained in the way of seamless domestic or international commerce. Offering an unprecedented medium of communication, branding, cataloguing, knowledge exchange and real time transactions, the Internet has enabled Indian companies to compete in the international markets without having to create a physical presence or set up marketing offices abroad. This has been even more dramatic with the growth of the domestic telecom sector that provides the necessary backbone for e-commerce, along with other opportunities in the convergence space. Besides helping existing businesses grow, the Internet has enabled the spawning of a whole new segment of industry that was not possible in the absence of the Web.

The earlier discussion was not an attempt to comprehensively comment on the Indian economy and its impact on start-ups. In fact theoretically it becomes extremely difficult to do so without plunging deep into the concepts and statistics of national economics. However, it is apparent that the post-1991 years have been more encouraging and suitable for entrepreneurial growth. Thus the preceding paragraphs were a practical look at few of the key developments that have made this possible.

Coming to the Indian scenario, I would want you to go through some interesting statistics that support the view of overall entrepreneurial growth and environmental impetus over the previous two decades discussed in the last few pages. The **Global Entrepreneurship Monitor (GEM) India Report 2002** had ranked India number two on an entrepreneurship index out of 37 countries that were a part of the project. With an exceptional entrepreneurial activity rate of 17.9%, India stood second only to Thailand (18.9%) and higher than developed countries such as the USA, the UK and Canada. More importantly, the 2002 figure of Total Entrepreneurial Activity was a significant 6.3% jump from the 2001 figure. Although a large number of framework issues still persist, this kind of growth rate has outpaced the global average and continues to be a strong indicator of the vibrant start-up conditions in the country. It would be useful for you to take note of the top-ten entrepreneurially active sectors the report highlighted back in 2002 and evaluate the report's precision based on what has actually happened now by 2013, a little over a decade later.

1. Computer Software Services
2. Telecommunication Services
3. Pharmaceuticals and Drugs
4. Automotive and Transport Equipment
5. Internet-Related Business
6. Food, Beverage and Tobacco Processing
7. Education Services

8. Banking, Finance and Insurance
9. Biotechnology
10. Consulting and Business Services

Okay, with all this discussion about the environment and the economy behind us, let's understand one thing : Stellar start-up stories are not written *because of something*, they are written *despite everything!* So let's now step into the world that is most relevant and most important. Let's step into *your* world. Let's talk about the risks that scare you and hold you back from taking direct action towards realizing your dreams. Let's discuss the practical realities of starting a business and how that impacts your life and surroundings – your career, your earnings, your family, your belief system, your social set-up and everything else. And let's together assess how ready, how needy and how greedy you are to start and finish your journey towards your dream.

Entrepreneurial Risk – The Real Picture

Every man is guilty of all the good he did not do.
— Voltaire

It is now an apt time to discuss what may be the deciding factor on your way towards planning your own venture– your Risk-Appetite. You know by now that the market today offers tremendous opportunities and support for launching new businesses. Yet, it is extremely important that you understand and accept the risk factors involved in running your own venture before you take the final plunge.

No business can be independent of market forces or the risks that come with those. We have all heard of numerous companies that have faced complete decimation even after years of doing successful business. The number of companies shutting down in their first year of operation is even bigger. All industries and companies are subject to business pressures, and Michael Porter describes them under the five heads of substitute products and services, buyer power, supply- side pressures, threat of new entrants, and the intensity of competition. When you apply this to practical business, it becomes even more real.

Even while researching for this book, I witnessed numerous public sector undertakings turning almost sick, several tech companies crashing and scores of event management companies, computer hardware agencies, export-oriented units, restaurants and advertising agencies closing shop. At this stage, it's enough to acknowledge and comprehend the uncertainties associated with business and delve into the reasons and causes for the same. That will be discussed throughout this book, with suggested solutions and safeguards. It is important for us to treat business as a rational and purposeful career decision and not something that sprang out of some temporary knee-jerk stimuli and short-term excitement. Talking about adrenalin and dreams is one thing, but getting a comprehensive view of this path is quite another.

The risk-taking ability of no two individuals can be exactly the same, because risk-taking depends on far too many personal or environmental factors. Family backgrounds, need for regular incomes, stress-handling ability, mind-space issues, levels of ambition, marital responsibilities and many other aspects of an individual's life affect his or her risk appetite. None can help you measure yours except yourself. I have seen many cases where people have turned entrepreneurs despite personal pressures as well as cases where people most fit for business have refused to do so because of individual preferences.

But why is doing business risky? There can be no clear- cut response to this question except that businesses are exposed to innumerable market conditions as well as internal dynamics. An organization can just as badly be harmed by its internal members or employees as it can be damaged by its competitors. To describe very simply the various 'risk-centres' present in the start-up landscape, the following 30-point list may be useful:

1. Risk of choosing an unsuitable business domain
2. Risk of drawing up a faulty business plan
3. Risk of being unable to raise capital and resources to start the business
4. Risk of legal non-compliance due to lack of information
5. Risk of overspending on start-up infrastructure
6. Risk of recruiting the wrong set of people for crucial positions

7. Risk of unexpected gestation periods
8. Risk of not finding customers at all
9. Risk of being unable to manage and execute orders
10. Risk of bad debts and defaulting customers
11. Risk of losing key clients and accounts
12. Risk of losing key employees
13. Risk of stagnation
14. Risk of poor growth management
15. Risk of losing business to powerful competitors
16. Risk of technological obsolescence
17. Risk of sudden unfavourable laws and regulations
18. Risk of poor-quality delivery
19. Risk of labour unrest
20. Risk of management disputes
21. Risk of inability to innovate
22. Risk of failing to learn continuously
23. Risk of disturbed investor relations
24. Risk of natural calamities
25. Risk of litigation
26. Risk of recessionary economic climate
27. Risk of overspending or high cash flow burn rate
28. Risk of promoter impatience
29. Risk of break-away employee factions
30. Risk of personal burnout

This is not a comprehensive list, and some hidden risks also surround companies depending on the nature of business. However, I hope it provides a reasonable overview of the uncertainties in business. Obviously, the best that one can do is to evaluate each point carefully and guard against the ones that are controllable from the outset. Yet, even that does not make any business foolproof. Most risks are unpredictable and appear only when your business reaches a certain stage. The risk factor becomes even more serious when you have let go of your full-time employment to start your venture. As a result, you stop receiving your monthly pay packets, and you become completely dependent on the cash flows of your start-up company. In a nutshell, entrepreneurial decisions need to be taken with utmost responsibility and planning. Careful analysis of the business space, research, preparation, hard work, patience and common sense reduce the risk substantially and leave you less exposed. Also, the critical ability to manage risk plays a key role, and it will be discussed later in the book.

Business Risk–Phantoms from the Past

Great spirits have always encountered violent opposition from mediocre minds.
— Albert Einstein

One evening while watching my darling Mum's favourite television soap, when I enthusiastically told her about one of my friends setting up his business, I was least expecting the reaction I got from her. To my utter disbelief, my Mum (who has a master's degree in sociology from one of the largest universities in India) exclaimed, "Oh poor fellow, did he not get a job anywhere?" *Whaaat?!* Mom, come on!!

Unbelievable as it may sound, even today a lot of elders think like my Mum. They are under the impression that only those without jobs start businesses, because it is just too risky for those who can get regular employment. Poor Mark, Larry and Sergey! Wonder how many employment exchanges rejected them!

This is an important aspect you need to consider when you do a comparative risk analysis between working for another organization and running your own company. We have inherited the risk consciousness from our parents and well-wishers; however, all sensible people would know that there is a marked difference between then and now. During the 1960s, 1970s and 1980s, most skilled and semi-skilled workers were employed with the government or in public sector undertakings. Although these jobs were not seemingly well-paying, they certainly were a package full of much- needed securities (job safety, pension plans, housing, etc.). Understandably, entrepreneurship guaranteed none of these and was considered almost equivalent to gambling! And, a large percentage of the middle class still holds the same views.

But there is a small percentage that thinks that entrepreneurship is the way forward. So let's now take a look at how the scenario has seen a radical transformation and how entrepreneurial ventures are becoming equally powerful (if not better or the best!) career options today.

Let's first discuss the point of professional security. How many of us truly believe that working with big corporations offers any form of job security? There is no doubt that those jobs provide timely pay packets, and some companies even participate in other welfare schemes such as provident funds, gratuity and medical allowances. But how many weeks pass when we do not hear about grim layoffs in the best of organizations? A high-profile foreign bank closed its retail operations in India a few years ago, which left numerous workers, including many from the senior management, jobless. Investment banks, financial institutions, consulting companies, automobile companies, software labs and call centres have all seen painful pink slip campaigns.

This phenomenon has occurred not just for domestic businesses but also for companies across the world. The simmering economic slowdown in the United States of America and the latest Euro Zone crisis (2011–12) has forced thousands of people to go off jobs. And it is not just happening today. The April 2003 stock market bloodbath for one of the biggest technology services companies of the country forced it to think about pay cuts for its employees (Source: *The Economic Times*, April 2003). Who can predict when the erstwhile Voluntary Retirement Scheme (VRS) of public sector banks will be forced to turn into an 'involuntary' programme due to tremendous overstaffing in these institutions?

You must not view this as an attempt to judge any of the organizations or sectors for the steps they take towards making their companies smarter and slimmer to remain competitive in today's fierce markets, instead take it as an effort to show you that uncertainties and risks lie ahead even though you may be part of the biggest of organizations. We cannot even begin to compare these commercial organizations with the government when it comes to the kind of employee security the latter has been providing for the last few decades. However, considering a vast majority of the educated human resource of the country is perhaps now engaged with the private sector (organized or unorganized), it is only sensible to analyze the associated risks. Obviously, putting entrepreneurial ventures alone in the risk bracket would be erroneous judgment.

Risks are now a part of life, and with businesses becoming more and more knowledge-intensive, the rise in the number of entrepreneurs is not surprising. Over the last decade, trading and manufacturing have given way to the growth of high technology and knowledge-based businesses. As a direct outcome, the quality (only in terms of educational and professional qualifications) of people entering the entrepreneurial bandwagon has also improved. We now see more and more of high-profile engineers and management graduates stepping into the entrepreneurial arena, bringing with them loads of domain knowledge and experience. This generation of young, talented and educated businesspeople is drawing industry-wide respect and admiration. Top-class organizations such as Ernst & Young have been adding to the support and encouragement with awards like 'Entrepreneur of the Year'.

This is good news for start-up aspirants. It cushions the risk of slipping down the career graph in case their start-ups fail to make a mark. How so? you may ask. The corporate sector realizes the enrichment of an individual as a professional during the course of setting up and managing an enterprise. The need for innovative and driven 'intrapreneurs' is being felt by all large corporations that want to break free from the shackles of bureaucracy and create pockets of energy and talent within their huge corporate machinery. And 'failed' entrepreneurs are the first choice for these positions. The inherent ability of an entrepreneur to accelerate processes, work on shoestring budgets, motivate people and manage multiple activities makes him or her valuable assets for an organization. Clubbed with the fact that most entrepreneurs today are professionally qualified, the availability of career options for them even after failing to build an enterprise should never be a cause of concern.

I know of financially suffering start-up companies either being acquired by a bigger organization along with its business model or having their promoters placed in key positions. This makes launching a knowledge-intensive business almost a win-win situation. If your venture succeeds, there is no looking back. Even if it unfortunately doesn't, all's not lost because it'll only be a minor hurdle in your career path.

By now you are probably in a good position to evaluate the risks involved in starting your own commercial organization. Let's now take the brighter perspective. The more positive view: a view of how lives can be transformed if businesses become successful. And they do! Dhirubhai Ambani, Narayana Murthy, Mark Zuckerberg, Uday Kotak, Sunil Mittal, Jeff Bezos, Michael Dell, Aditya Vikram Birla, Bill Gates, Shiv Nadar, JRD Tata, Sir Richard Branson, Azim Premji, Larry Page and Sergey Brin... the list is endless. And these are those extraordinary people who have built outstanding, world- class organizations. There are thousands more who may not have really hit the headlines of business magazines, journals and television channels but have surely created powerful enterprises in their respective business areas.

How many of us know about the people behind those law firms, advertising agencies, export houses, hotels, manufacturing plants, transport companies, software labs, textile mills, private educational institutions, agro-services, travel agencies and so many more organizations? These are mostly run by entrepreneurs who are exceedingly successful and have hundreds of people and crores of rupees working around them. This reminds me of an interesting scene from a Hollywood movie where the actor looks at his shoes and points out how someone somewhere must be operating in a captive market of shoestring products and making millions doing that!

I am not saying that such organizations can be built over a few weeks. In fact businesses are built over years of market presence, experience, commitment, grit, sacrifice and intellectual capital. But then again, how many people make it to the level of a CEO within ten years of work? An army officer takes about 25 to 30 years of service to become a general (and many never become one), and civil servants spend a majority of their professional lives in trying to reach the top rungs of national-level bureaucracy. And why just them, even legendary actor Amitabh Bachchan struggled for years before his first breakthrough!

So the time frame involved in setting up a successful enterprise is only a sign of a lasting foundation being built. And it may not necessarily take a lifetime to build a profitable business. We have all seen examples of meteoric corporate growth, and that is not a very rare phenomenon. I quote an interesting conversation I had with a leading real estate developer of the National Capital Region. During a discussion on business growth he said, "If you are looking to become a billion-dollar CEO, you would have to wait for a few decades for it to really happen. Obviously, even then there is no certainty and the chances are miniscule. However, if houses and cars are any symbols or indicators of success, I don't think any talented businessperson with a strong business model would have to wait beyond five years for them to come." It's a very straightforward, no-frills and non-corporate view, but it is very simple to understand and immensely practical.

I bought my first car and first house within three years of starting my company. So can you.

If you listen to your fears, you will die never knowing what a great person you might have been.
— Robert H. Schuller

I was going through a newspaper report that had a list of average recruitment salaries offered at the better B-schools of the country. When I dug deeper into the figures, I realized that the averages included the dollar and pound salaries that when converted to Indian rupees as per the exchange rate (not purchasing power parity) skewed the entire picture. The average Indian salaries were much lower. Moreover, these reflected cost-to-company figures and not the actual salary the employees would find deposited against their bank accounts. On further analysis, based on very conservative taxation figures, I arrived at a dismally low take-home figure as the true average. However painful it may sound, the owner of a store selling greeting cards probably makes more money.

I do not mean to underestimate the professional strength or earning ability of these B-school graduates. I am one too and am aware that some of them would be the leaders of India Inc. tomorrow. I am only trying to compare their personal financial figures vis-à-vis that of their entrepreneurial counterparts. It would be wrong to base a business dream only on monetary calculations, but as Anil Ambani once put it brilliantly, "money is an excellent by-product." It's an excellent by-product of an entrepreneurial vision, ethics-based business, shareholder value and a will to build a company spanning corporate generations.

It is a common perception that entrepreneurs are bold and independent people. I do not disagree with this completely. Apart from offering an opportunity to realize dreams and build fortunes, start-up enterprises provide an entrepreneur some other invaluable perks. These include those of functioning independently, taking key decisions, converting a passion into an occupation, choosing and carving his or her own career graph, deciding work hours and last but not the least, working without a boss' (if any such thing exists in today's knowledge economy)! The last perk may sound a little immature at first glance, but when you really take a pragmatic view, it does talk about a work environment full of freedom – freedom that nurtures creativity, initiative, innovation and discipline.

You have seen businesses failing and succeeding. You have witnessed fortunes and palaces being built. You now understand the risk-and-return curve. My only attempt has been to take you on a journey that gives you an insider's view of business and take you away from the awe-filled mystique that hovers around the world of business and start-ups. Remember, it is common people like you and I in these businesses that are transforming their lives (and that of others) with every passing day. They are ignoring middle-class reservations about entrepreneurship and trailblazing their way through to realize their dreams. Because they know it's no fairy tale - it happens.

Now that you have enough food for thought, you could consider taking a day off from this book and spend time internalizing what we have analyzed. Once through with absorbing, you could come back for more valuable discussions.

So far, we have mainly discussed about the path Indian entrepreneurship has taken, the existing scenario and the opportunities that exist and beckon talent today. We have discussed the risks in business and how they have seen changing patterns. We have also conducted a practical fears- and-fortunes analysis. However, is starting a business all about business pastures? Is starting up your own venture only about economic decisions? Or does it also involve socio- cultural issues? Is a business decision purely an individual direction, or does it carry with it clear and present impacts on friends and family? What role do these people play and to what extent? These are the aspects we will try and address in the next section.

Tests, Turbulence and Triumph– Social Backdrop

Most new jobs won't come from our biggest employers. They will come from our smallest. We've got to do everything we can to make entrepreneurial dreams a reality.
— Ross Perot

I am sure some of you are thinking about why we need to discuss the social environment of business with specific reference to start-up organizations. Before I take you further into this topic, let me warn you that it may raise issues that have been discussed and debated in your homes for years. It may also challenge and bluntly contradict several views and opinions that have been drilled into you by your parents, relatives and close friends. This discussion intends to inch closer to your personal life rather than just be a management and academic read.

Most readers of this book are probably from typical middle-class educated Indian families now looking towards transforming their lives through the corporate route. If you are from a business-oriented background and are reading this book to enhance your project launch capabilities, this may not be the right place to look for answers. This is because your background has ensured that the people who affect your life are already accustomed to the regular cycles of upheavals and triumphs that any business brings with it. So I recommend my other book *The Street to the Highway* to you, which unfurls the unspoken secrets behind converting small businesses into large companies. First-generation entrepreneurs, who are most likely the first of their kind in the family, experience the real transition: the transition from service/employment to business ownership; from regular but low-income streams to unpredictable but extremely high-potential cash inflows; from being a low-risk-low-return individual to becoming a high- risk–high-return professional; from being an employment seeker to an employment provider. And obviously, these dramatic shifts in a person's life can never steer clear of social and family linkages.

Family Beliefs and Personal Aspirations

Courage is resistance to fear, mastery of fear, not absence of fear.
—Mark Twain

I read a brilliant book called *Rich Dad Poor Dad* written by the celebrated author, Robert Kiyosaki. In the book, the author powerfully describes the difference between how the 'poor' father asks his son to study hard, get a degree and be able to find work in a big corporation. On the other hand, the 'rich dad' guides his son so that he can own that corporation one day. This is precisely the difference that exists between families with varying career backgrounds. And this makes a serious and long-lasting effect on the occupational choice of further generations.

The testing times begin when a young and energetic individual decides to alter the paradigms. Naturally, as with all other changes, this too generates resistance. Some of the reasons for this resistance have been discussed under the risks section earlier in the chapter. What is crucial to understand is the overall perception that an entrepreneurial step generates around you. Let's study a few of the issues with suggested remedies and responses.

Risks and Uncertainty: First and foremost, the risks and uncertainty involved with business, which were extensively covered earlier, form the foundation of all the arguments and emotions against launching a venture. Most of the Indian middle class are used to a routine income that offers a sense of settlement and security. The "at least I know how much money I will get next month" syndrome prevents millions of talented young men and women from jumping onto the entrepreneurial bandwagon. The idea of an income that comes in bursts and stops petrifies this section of the society, which is tuned to small salary cheques for over maybe three generations. And well-meaning but under-informed parents will obviously expect the fourth generation to follow suit.

I will not touch upon any counter arguments at this point since we have already discussed them earlier. My only questions to you (and hopefully to your parents through you) are: Why even after four generations of hard work are we still desperate for a job? Why do we still take bank loans to buy a car or a house or study engineering? Why is retirement still a challenge? Why are we still forced to call ourselves middle class? Middle class!

Think about it.

Societal Acceptance: For my own loving father, becoming an IAS (Indian Administrative Services) officer is a better career option than running a $10m company. He may be right or completely wrong, but I vehemently differ from his view. Why do we really want success? How much money does it really take to lead a comfortable life? Why do we prefer to eat at a plush hotel even when food from a smaller restaurant perhaps tastes better? Why do we want a big long car even when we have to drive alone? Why do you wish to wear branded sneakers when other shoes may also fit your need? Why do women wear diamond jewellery? The reasons point directly to the third need on Maslow's hierarchy – social acceptance and appreciation. Indicators of success are measured on a comparative societal scale and not on absolute individual achievements.

Without getting into the tempting evaluation of the true meaning of success, I will restrict myself to discussing only a practical, day-to-day understanding of an established and respectable lifestyle. For our parents and elders, the signs of a rewarding life are a good job, cozy apartment, a car, good education for children, respect from relatives and friends and a reasonably good social life. They strongly believe that all of these come with a well-paying job, and that's where their thinking horizon ends. In fact, it's surprising that most of them understand that running a business organization can be a dramatic high-growth path, but somehow they are unwilling to discuss it.

A friend and business associate's father actually declared that he was ashamed his son took to his own venture and that it's going to be perceived as his son's inability to find a salaried job! Also, he constantly ran his son down during the first year of hardships he in business, rebuking the entire concept of start-up ventures. With deep respect to this conventional mindset, even an illiterate farmer understands the time lag between the sowing and harvest seasons. So coming back to my friend, it has been three years since, and he now runs one of the biggest telecom peripheral equipment companies of Northern India. He just gifted a Honda City to his father. We cannot expect any young and inexperienced entrepreneur to strike riches and success without the requisite time and effort infusion.

What all friends, family, colleagues and associates would have to understand and accept is that founding and running a start-up company is a bold and enterprising step that truly offers employment opportunities and constructive contributions to the society. About a decade ago, *Business Today* (April 2003 issue) carried a powerful and appreciative cover page story on the budding entrepreneurial talent in the country and B-schools inviting entrepreneurs in their alumni list as guest lecturers back in the institutes. My own entrepreneur cousin drives a Mercedes Benz and conducts business across half the globe at the young age of thirty-four!

Upper classes are a nation's past; the middle class is its future.
— Ayn Rand

Stress, Hard Work and Family: A lot of caring parents, including my own, fear the stress and extreme involvement that business brings with it. They have all read stories about corporate pressures leading to hypertension, diabetes, anxiety, insomnia and various other stress-related issues. And being your best and closest well-wishers, they will never be ready to trade the riches of the world with your personal well- being. However, in their zeal to protect you , they forget one of the first lessons about life they taught you – the willingness to devote oneself to the path of duty and glory. Remember them telling you to *forget everything when you study; push yourself to the hilt in that athletic meet; don't worry about the scorching sun during your social study visits to the nearby village.* It is the same principles that determine success or failure even today. Just that caring parents can't see through the maze.

How much effort do you think Sir Isaac Newton put into his work? Thomas Edison was partially deaf. How many extra miles did he have to run? This reminds me of an inspiring lecture I attended a few years ago. The speaker was the country director of a huge Japanese corporation. He said that many people had commented that his success as a corporate executive was of no use because he could not devote enough time to his wife, children, golf and vacations. To such statements he said that he confidently replied, "It's not because I am successful that I don't give time to family and golf. It is because I don't give time to family and golf that I am successful." I am not supporting any view and feel that family responsibilities must be given their due share. However, no reason or cause can ever be potent enough to keep a human being away from his piece of the sky, his true destiny.

Running a company may have many high-pressure moments, but it also offers numerous stress-reduction choices. As an organizational head, you have many areas of worry – cash flows, sales figures, overall strategic direction, people-related issues, accounts and law, investor relations, general administration, bad debts and key clients. But salaried occupations carry their own bag of stress beads too–sales performance, opinions of seniors and colleagues, organizational politics, appraisals, the threat of losing the job, promotions, deadlines, wage hikes, leave allocation, forced schedules and disciplines. Even in government organizations today the accountability and performance pressures are on rapid rise. In fact, stress levels and performance issues prevail across the professional band. Stress has little to do with any particular occupation or specialization and has almost become an inseparable part of urban life. The track towards a man or woman realizing his or her true potential has always been full of hardships and rough patches, and you have to overcome these to reach the hall of winners. As the old saying goes, *"to be a winner, all you need to give is all you have."*

Just as much as I strongly believe that no opinion can be right or wrong in any absolute assessment, I have offered you some decision-support systems. For example, I would advise caution to people singularly responsible for a family and to sole earning members. Risk evaluation has to be an individual approach in that the well-planned and screened final call has to be yours to take. Even if the eventual 'yes' seems to be taking scores of sleepless nights full of calculations and excitement, don't worry. Every moment spent towards your dream is worthy use of the time.

Remember, the decision you take now will decide the course of your entire life!

If you hear a voice within you say 'you cannot paint,' then by all

means paint, and that voice will be silenced.
— Vincent Van Gogh

CHAPTER 2

The Entrepreneurial Warrior — What it really takes to be one

I'm convinced that about half of what separates the successful entrepreneurs from the non-successful ones is pure perseverance.
— Steve Jobs

Albert Einstein won the Nobel Prize at the startling age of twenty six. And this was a man who suffered from stammering speech at the age of nine. Sachin Tendulkar, they say, had a tough time passing his high school examinations. He is today an accepted genius in cricketing history. Dhirubhai Ambani was a petrol pump attendant once in life. What would a petrol pump attendant know about the nitty-gritty of shares and debentures? Yet, Dhirubhai virtually built the Bombay Stock Exchange in his time. Bill Gates dropped out of college, and Michael Dell earned his first dollar of profit at the age of twelve, later being the youngest individual to lead a company into the Fortune 500 list! This list could go on, but my purpose of taking a glance at the lives of these great men is something that poses a thousand questions in my mind. What is it that makes these men greater than the others? What led them to the path of unstoppable success and fame? What drove them and how much of divine touch did they have in them, if any? I am aware I am not alone in the search for answers to these questions. However, I wanted to open this discussion in the context of what I will be approaching next – what exactly does it take to make a successful business leader?

Let's try and answer the question with a different approach. What does it really take to launch a successful business of your own? A brilliant idea, a good amount of money, an office, some infrastructure, a few employees and a business plan, right? Wrong! Although the aforementioned are undoubtedly necessary aspects of rolling out a business, they are certainly not the only ingredients required. We need to understand that the basic qualities, skill sets and driving force of an entrepreneur cannot be undermined while evaluating the total arsenal required to enter the corporate arena. In fact, I would not for a moment think before saying that it is that one person behind the effort who spearheads the entire organization's drive. I do not mean to convey that the other support systems and people play no role at all. Of course they do. They form the indispensable wheels of the system without whom no system would be able to sustain itself and grow. Business, like most things in life, is all about team work.

However, the engine of growth lies in the leadership and business acumen of the man or woman behind the organization. Would Ford Motors be what it is today without the vision and leadership of Henry Ford? Could Reliance have been built without Dhirubhai? (Would Infosys exist if Narayana Murthy didn't?) This aspect would become clearer as we proceed with this book.

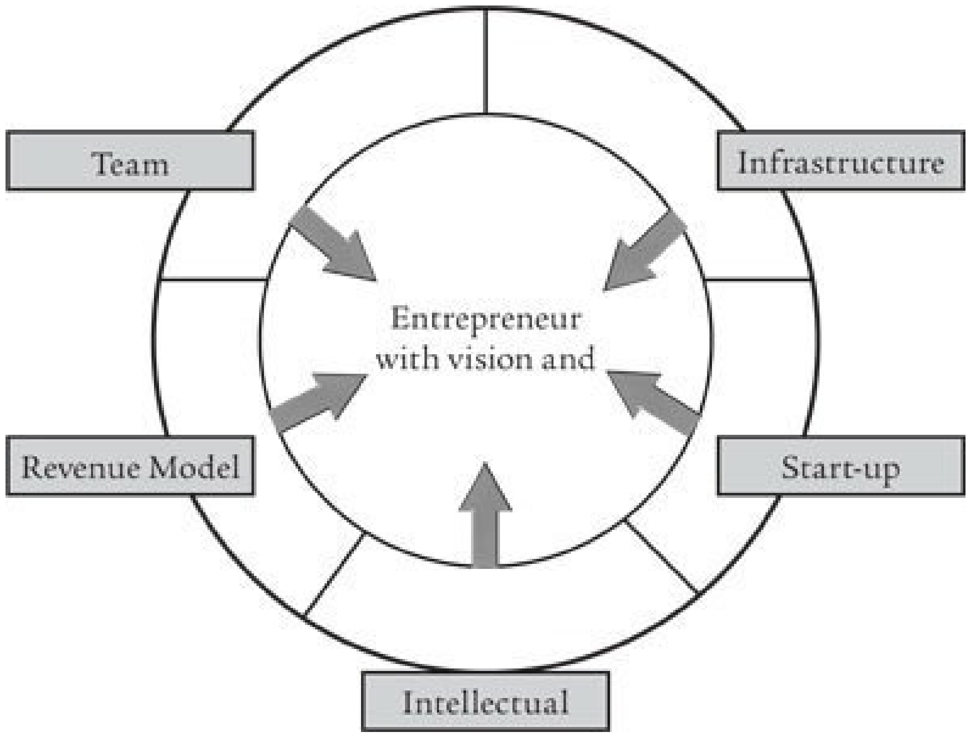

Figure 2.1 *A diagram to show the critical aspects of people, resources, business plan and domain expertise playing a crucial support role to the core of most business success stories –the visionary entrepreneur. The support systems offer fuel and armor to the fierce drive that most visionary entrepreneurs carry within them.*

At this stage it becomes important for all aspiring entrepreneurs to ask themselves one question: Do I have it in me? This question would encapsulate a large number of relevant traits to ponder upon and assess, including personal and professional aspects. It is at this point that I want to run you through certain critical personality traits and skill sets that most entrepreneurs possess. This would again not be a comprehensive or universally applicable list, but it will give you a good insight into the characteristics of successful entrepreneurs. At the end of this chapter, you will have a reasonably good scale to measure your skills and spirit against.

Professional Excellence

If people knew how hard I worked to get my mastery, it wouldn't

seem so wonderful at all.
— Michelangelo

Let's get one little thing clear. No amount of fire in the belly, leadership spark, driving force or will to succeed can replace the basic professional excellence required in an individual to be able to successfully lead a team and run a company in any business domain. The good news is that this can be built up or learnt over time. In fact most business leaders are active and continuous learners in their respective areas of business. This professional competence cannot be substituted. Let's take a look at the ammunition that goes into developing professional excellence and ability.

Core Business Knowledge

This has attained unprecedented importance in the 'new economy'. Almost every segment of business is becoming knowledge intensive and people have been accepted as the single most important resource of an organization. Information systems now play a key role in determining the success or failure of an organization and intellectual capital is drawing all the attention as well as all the capital. In such an environment, will it be possible for an individual to survive without substantial and an ever-evolving knowledge base about his or her respective business segment?

If intellectual capital is not available to start with, can it not be procured? This is a very valid question. However, in today's business environment, knowledge workers who may be able to fill the intellectual vacuum would come at a very high price – a price that most start-up companies will not be able to afford. I had the opportunity of meeting the CEO of a big Delhi-based software company during the heydays of the software industry. He admitted to me that he almost got nervous whenever he had to interview a software engineer. "I was always scared about the figures the guy was going to ask me for," he said. And there is complete truth in what he said. We all have heard of the astronomical salaries these tech guys drew during the explosive days of the IT market. The same holds true in financial sectors such as investment banking, consulting and treasury operations. This human resource may be an asset to the larger companies that employ them, but they cannot be afforded by start-ups. Moreover, absence of a solid brand makes it even more difficult to attract highly talented manpower. Clearly, the answer lies in self-sufficiency. Even then, no one can be completely equipped to handle all aspects of any business, and some talent procurement becomes indispensable.

Apart from the cost factor in sourcing intellectual capital, aspects of project control, service delivery, manufacturing and management make domain knowledge an absolute imperative for an entrepreneur. This becomes even more important when you look at the prospect of launching an organization that offers specialized products and services. Can you expect an engineer to venture into the arena of specialized financial services and start doing great from day one? Or can you imagine a history student getting into producing high-technology microchips? Can you trust an inexperienced young MBA to manage and control the construction of a nine-lane highway from New Delhi to Mumbai? Obviously not. It would take an extraordinary individual to do justice to the project with no prior experience in building and infrastructure development. So core business knowledge becomes a crucial success factor in the corporate sector today. Venture capitalists and investors would swoop down like hawks on your résumé to see your professional and intellectual background. Most start-up companies I have witnessed are backed by professionally competent promoters who can carry the responsibility of domain expertise solely on their own shoulders, till their organization can afford to hire better resources.

So please understand that domain expertise plays an important role in determining the success ratio of start-up organizations in their early days. This was proven in none other than the dot-com wave itself. Students and professionals were concentrating more on international models to decide their own ventures rather than following the basic steps of resource assessment – intellectual resource being primary in this. So start a business about which you are at least reasonably knowledgeable, not one that appears easy, glossy or fashionable.

You need not become demoralized if the venture you plan to float has nothing to do with your professional experience so far. So far, I said. Which probably means that you now forget the world around you for a few weeks, collect all possible journals, books and website names related to the business under consideration and lock yourself up in your study room. When you come out of that learning mode, you will be a much more informed and enriched individual to carry out your business plans. Also, as a sweet by-product, by the end of the exercise, you will gather valuable insights into the domain. Lastly, as mentioned earlier, it should be hammered in that you need to be a continuous learner to be able to remain competitive in the corporate battleground.

Managerial Aptitude

If you notice, the subheading does not say managerial 'education', it says 'aptitude'. And there is a vast difference between the two. Mark McCormack, the author of *What They Don't Teach You at Harvard Business School,* is probably the biggest example of this. He built a huge international corporate group called IMG. He also wrote bestselling books on management and for street-smart business executives. He himself never attended Harvard Business School. There are thousands of examples of business maharajas without any formal B-school training who created fortunes and empires within their own lifetimes.

So if you are not a management graduate, there is nothing seriously wrong with your prospects of striking it big in the business world. Whether good managers are born that way or whether they develop these skills over time is still a big mystery. But what is clear is that successful management has little to do with degrees. I am not undermining the importance of a formal MBA certificate; in fact, I am sure it enhances overall business view, market understanding, financial aptitude and CV value. However, it can at best be an additional advantage and not a prerequisite for corporate performance. A substantial chunk of management skill set comprises leadership and people management, which can rarely be taught through textbooks and instructors. Akbar the Great, they say, was one of the most effective people managers ever born. He obviously didn't even hear of a B-school in those times. Almost none of the military generals who lead armies into gruesome battles and keep men together has had B-school training. But they certainly are the greatest of managers. And business management cannot be too different from warfare. After all most of the concepts of Strategic Management, Operations Research and the Internet find their origins in military practices.

So the leadership, people and crisis management skills that a business manager or an entrepreneur needs to possess can be developed, acquired and implemented with or without qualifications. But one thing is certain: Absence of this particular quality can largely ensure that your venture never reaches starry heights. There may be professional environments where you do not really need too much of people management talent. For example, if you wish to start out as an independent technology consultant, high levels of technology and knowledge capital may be needed, but it would involve comparatively lesser application of high- complexity management practices. But when it comes to managing an organization, management aptitude is tested to its hilt. Irrespective of the area of operations of your company, you will face situations and crises that would storm any organization unless guarded by the strong will and leadership of a capable manager.

What is the true essence of management? What does it really mean? It means commitment. It means leadership. It means motivation. It means financial understanding. It means crises management. It means empathizing with people. It means empowering them. It takes high IQ. It takes even higher EQ. It demands a mission that feeds a powerful and long-lasting vision. It means multiple processing capabilities. It means perseverance. It means patience. And most of all, it means a positive attitude. Now if you take a closer look at the preceding attributes, you will realize that all play a critical role in day-to-day running of a company. More often than not, most successful business people are a striking mix of all these qualities or most of them.

If you are wondering how you can evaluate yourself on the basis of the previous discussion, and more importantly, how you can inculcate these competences, my only suggestion would be to take the route of quiet observation. Try and spend maximum time with any successful and professional entrepreneur you know and closely study his or her way of working. You will figure out a lot of sense in every phone call they receive, every decision they take, the way they treat their clients, partners, employees and friends, their financial acumen and most of all, their infectious involvement in their work. Having done that, undertake a careful evaluation of their strengths and weaknesses and make a sincere endeavour to screen in the former into your own way of working and thinking.

Market Orientation

Do not quench your inspiration and your imagination; do not become the slave of your model.
— Vincent Van Gogh

Have you heard someone talking about a colleague and saying that the latter is a born salesman? What that person probably means is that his or her colleague has a clear insight into customers' preferences and a grip on the market's pulse. That is exactly what most entrepreneurs have or should have. A large number of wannabe entrepreneurs I have met are almost obsessed with their product or idea. Even a short discussion with them betrays that they are so neck-deep in appreciating their product or service that a small hint suggesting a little market-driven change can make them angry and aggressive. Now that can be a shortcoming because a product-centric approach makes managers less flexible and myopic about market adaptation. You must remember that business is more about making profits than making products. And only customer-focussed products and services can lead to desired profit figures.

So the answer lies in building an attitude and in turn an organization that is completely propelled by market opportunities and demands. Start-up organizations, especially, can never hope to spend volumes of money in trying to alter consumer preferences and behaviour in favour of the products or services being produced by them. Perhaps Kellogg's can keep pumping in promotional resources till they transform the breakfast habits of Indians. But that would take a decade. Even McDonalds had to Indianize the taste of its burger to suit the Indian palate.

A lesson to learn: Not what you produce but what you are able to sell makes your organization profitable.

Now add to this the inherent flexibility that start-up companies have. Small sizes, vibrant attitudes and an instinct to survive enable new ventures to mould themselves into evolving revenue models with comparative ease. And this is what an entrepreneur has to inject into him- or herself and into the organization. The best way would be to start with your idea as a soft launch. Observe market response for a couple of quarters and then analyze that response to whet your product or service offering further. Even if complete reengineering is demanded, don't be disheartened. It's going to be another step closer to your goals.

A word of caution: Don't let the thin line of difference between slow market build-up and negative customer response confuse you. You will have to use your judgment to decide whether it is slow acceptance or downright rejection. The former should help you surge ahead in reaching out to more customers and bigger markets. The latter should make you think about alternative strategies or alternate offerings altogether.

Here is a quick example. I know the owner of a leading restaurant in the western part of New Delhi. He initially launched the restaurant as a bar and pub with a live band, discotheque lighting, powerful sound systems and a classy bar. However, due to insufficient market research preceding the launch of the restaurant, this theme for the outlet was a crushing failure. The localities around that restaurant comprised conservative families, and there were few takers for upmarket pub joints. For reasons of their own, the concept of a drinking-and-dancing spot for youngsters did not appeal to most residents in and around that area. Within two months of the opening, the owner was almost bankrupt.

When left with no other alternative, the owner carefully assessed the taste of people within a 10-km radius of his outlet. He also studied the performance of some leading restaurants in that area and actually visited them to experience the ambience and themes. In a quick transformation following this diligence, he reengineered his restaurant into a family outing spot and converted the live band into a soft ghazal (Indian musical version of beautiful Urdu poetry) group. The screechy lights gave way to soft and hidden lighting, and the liquor counter was redesigned to appeal to a more mature clientele. This reincarnation worked. The restaurant now caters to a much bigger target group between 12 and 65 years as against a comparatively smaller segment of 18–28 years and is one of the most successful and packed outlets in west Delhi. Remember, it is not you who will decide the product and service, it is the customer!

Carrying a Vision

Our dreams have to be bigger. Our ambitions higher.
Our commitment deeper. And our efforts greater.
— Dhirubhai Hirachand Ambani

What is common between Larry Ellison, Dhirubhai Ambani, Michael Dell, Henry Ford, Jeff Bezos, Bill Gates, Steve Jobs and JRD Tata? Frankly, not much except that they all are (or were) great visionaries. They all are people who built and led world-class organizations. And almost all of them started their business lives the way you plan to start yours.

Who do you call a corporate visionary? A lot of people confuse a visionary with someone who has an insight into future market trends. The latter is pretty neat as well, but can perhaps just be a good marketing vice president at best. A real visionary is someone who is able to effectively blend individual achievement, long-term institution building, sustainable profitability, employee satisfaction, futuristic outlook, shareholder value, brand-creation, modernization, ever-evolving growth, thought-leadership and societal responsiveness. I know this sounds difficult, but then we witness a visionary only one among a million men and women. And being one is obviously next to impossible for common people as you and I, right? Wrong again! The biggest mistake you can ever make is to consider yourself common. While writing this book I hope it will make a global bestseller. I work for my company aiming to make it like Microsoft or Apple one day. I may or may not succeed, but I strongly feel this is the best approach to be taken.

Being a visionary at your stage would mean that you have a strong grip over what you want to be and what you want to do to be that. I have met a lot of young and bright entrepreneurs who are quite effective in their regular and routine work, but have no 'What next?' undercurrent driving them at all times. They probably feel that business growth will automatically guide them towards bigger and better goals. This might be partially true, but any serious organizational success has to be planned for with a clear direction and focussed effort. If you are starting a computer networking company on a humble scale, you need to have your eyes set on what that company would and should be in five and ten years. You may say that you want your organization to be the number one networking solutions company in the India. Even having a ridiculous vision statement that drives you is better than having no statement at all.

Interpersonal Strengths

The ability to deal with people.. .I will pay more for that ability than for any other under the sun.
—John D. Rockefeller

When someone asks me what my primary responsibility is as the CEO of my company, I immediately reply "to keep people happy..." This may seem like a very shallow definition of work, but trust me it involves continuous and stressful concentration and effort. The people I mention include clients, prospects, associates, investors, employees (most of all!), vendors, bankers, consultants and many more. And after an honest evaluation of my total productivity hours, I realized that more than half of those go into this job of managing somebody or the other at all times. Not a month passes without having to build upon investor relations. Not a week passes when an employee does not express dissatisfaction with something or someone. Not a day passes when I don't have to pacify a complaining customer, and not an hour passes when I don't have to meet someone!

On further assessment of this issue and discussions with other organizational heads, I am thoroughly convinced that managing interpersonal relations is the single most important responsibility that an entrepreneur carries on his or her shoulders. Besides, internal customers or employees also demand maximum time and energy. In fact galvanizing everyone to work towards the common vision holds true for business managers in general. It is pretty much like being the captain of a cricket team. He has attack bowlers, strike batsmen, key fielders and all-rounders. It is his responsibility to convert this set of talent into an effective, winning outfit. Similarly, in your organization you will have sales personnel, operations staff, accountants, customer service executives and support teams. You need to bring them together and act like a catalyst towards collective contribution and growth.

Let's now examine what the key components of powerful interpersonal skills are. However, before we go deeper into this discussion, I must mention that this topic is very vast and has innumerable finer aspects that go beyond the scope of this book. I will address only two of the most critical and encompassing ingredients.

Leadership

A leader is a dealer in hope.
—Napoleon Bonaparte

Who knows if leadership is a part of interpersonal skills or vice versa. But get this, what kind of a man would it take to motivate a whole army of men to leave their families behind and fight bloody wars across half the globe for over a decade? And, do all this only to fulfill the dreams of a conquering prince? It would take somebody like Alexander the Great. So the question is what was Alexander? Was he a great manager? Or was he simply a leader of men? He was more of the latter. A great manager can prove to be a very effective general during a battle. He will probably use all the resources of his side optimally, analyze competitive threat correctly and even win. But can he convert tens of thousands of people of a whole country into a combat unit for his own expansionist plans? No.

A leader can.

I do not want to stir a debate on leadership and management all over again. I honestly believe that both these qualities cannot be mutually exclusive and have large overlaps with each other. However, I am also convinced that leadership needs that wee bit more spark than management. Even in history we have seen numerous examples of this – be it the Mogul ruler Babur who victoriously fought an army several fold bigger than his own or Napoleon who did that very often; both did so only with the undying, fearless and to some extent illogical support from their men.

It is so perhaps because leaders don't operate on logic. They are driven by conviction.

From the Moguls let's now talk about the business maharajas of today. What would you call someone like Ratan Tata? After having spent hours with a few top corporate executives from the Tata Group, I realized that Ratan Tata was not just a corporate head for them. He has been an icon and the carrier of a legacy of faith and trust over generations. He is probably not only responsible for the profitability of the Tata Group, but is also embossed on most hearts of the Tata workforce. Here we can safely say that he not only managed the Tata Group but also led it.

I am not afraid of an army of lions led by a sheep; I am afraid of an

army of sheep led by a lion.
— Alexander the Great

What can be the implications of leadership ability for entrepreneurs? Let me give you an example. You are running a start-up company with very limited resources, underpaid workforce, almost inhuman working conditions and loads of stress (Wow! It sounds so familiar and reminds me of the first two years of my own entrepreneurial life. But believe me, today it is more of nostalgia and pride than even a single memory of suffering). At this point, you bag a crucial order that will help you stay afloat for a few months. However, that order has to be executed within an impossible deadline. Your team is already overworked and is also clear that successful completion of this assignment will make no significant and immediate effect on their compensation or rewards. And the deadline demands continuous and backbreaking effort for days to come. With no resources in your kitty to be able to announce tangible returns to your people and no penalties that you can effectively implement without facing resignations, what would you be able to do in such a situation?

If you are a true leader, you will be able to deliver the order a day before the deadline.

How do leaders do it? What do they say to their people at such times? What makes people get committed to them? What do leaders have that is so extraordinary? These are all questions that no one has ever been able to answer satisfactorily. Neither will I be able to.

However, I would like to question the general belief that leaders are born with this ability. At best, there may be a one per cent divine contribution to this trait. The rest is certainly built up by a human being over years of struggle and commitment. How many people have we heard of who were badly defeated till they sprang back very late in life? The story of Abraham Lincoln's failures before he finally became the President of America is well known. Undoubtedly one of the greatest leaders mankind has witnessed, were Lincoln a born leader, what took him so long to prove it? The answer probably lies in the effort Lincoln made throughout his life to finally become the man he was destined to. Leadership, like all other human qualities, can be learnt and developed. Perhaps.

As a start-up entrepreneur, you will face several people- related issues during your business life. And as we will study in later sections of this book, your organization will be very dependent on the people who work in it. Your task perhaps will be a little easier than motivating people to fight wars, but what you do will definitely make an impact on the growth curve or even survival prospects of your organization. The reason I gave you the example of the crucial order within a deadline was because you are bound to experience such pressures very often during the first few months or years. And like the example, you will have no rewards or penalties in your control. It is only the spirit of belongingness and collective fears and fortunes that you inculcate in your organization that will hold ground in such trying times.

Remember, young companies work on weaknesses and not strengths, and the only strength you are likely to have is your ability to carry people with you. What else can hold back talented men and women who can draw bigger pay packets elsewhere? Also, do you think that large companies that have high human- resource retention figures manage it only because they are the best paymasters? No. The answer to both these questions lies in work satisfaction, camaraderie, culture and love for the organization. And only a leader can build this temple.

People's Person: I once had an appointment with Padmanabh Sinha, one of the senior members of the once famous Egurucool.com. Having reached during lunch hours, I was asked to wait at the reception. Surprisingly, the lady at the reception called the extension of Padmanabh and addressed him as Paddy. It was amusing since the hierarchical gap between them was steep. Later, when I was shown the direction to Padmanabh's office by an office helper, he comfortably came and told me that Paddy was waiting for me. When I met Padmanabh and shook hands for the first time, his opening lines were "Call me Paddy!" This was a huge learning for me. At a time when a lot of companies are breaking down cabins and making open cubicles to allow free flow of communication and kill bureaucracy, allowing colleagues and even junior-most cadre employees to address a simple name casually blew a fresh breeze of comfort and friendship into the entire organization.

Obviously, the office helper or the reception staff could not have chosen to alter the director's name themselves. They were asked to – probably by none other than Paddy himself. After careful analysis, I realized the depth of this decision. In one constructively planned gesture, Paddy had transformed his organization into a completely friendly and close-knit outfit. What is the lesson? And why was Paddy doing it? The answer lies in being the first among equals. Paddy probably understood clearly that the best way to manage and run a profitable organization was by breaking all barriers between himself and his team. We all have heard of numerous conventional and family-owned corporations that still have very evident signs of management supremacy. This is a strict no-no for new and young companies. And why not, when we are living in a knowledge-driven economy where people are not employees but value centres.

I have another interesting example. I met this very bright young man named Neeraj at a business dinner who was running a small investment consultancy. He and his people were in the business of selling mutual funds, credit cards and other financial instruments. What I noticed about this lad of twenty-three was the way he was interacting with his clients in that gathering. He had a tremendous self-directed sense of humor that kept the audience in splits. One of his clients exclaimed rolling in laughter "Neeraj, I don't know why I feel like laughing even at the first sight of you." A lot of the other guests acknowledged the same urge. Within a few minutes, Neeraj had befriended me too, even before I noticed it.

Later, when we were having dinner together, I realized Neeraj was actually a very sober and balanced individual. The intelligent conversation he had with me spoke volumes about his true knowledge and personality. Over dessert, I admitted to him that I found him to be a very different man when I first met him. The first impression was very pleasant, and a serious discussion after that made me truly like him. He answered that he normally makes a very conscious effort to keep the atmosphere light whenever he is with clients. That ensures that every discussion is within the boundaries of good humour and that clients seldom find an occasion to get aggressive.

Lastly, the good time clients have with Neeraj offers him a great opportunity to meet them again and again and thus paves way towards more business avenues. By the time we bid farewell, Neeraj had bagged my business card and almost sold me some tax-free bonds. I knew then why he was an entrepreneur at all of twenty-three.

Always remember, being professional and serious about your work does not mean becoming stiff, cold and businesslike all the time. Ask yourself, whom would you prefer working with – a bright, energetic and lively senior or with somebody who refuses to smile at anything, does not loosen his tie knot even till midnight and wants to push work down your throat? Especially when you are managing a start-up company, the work pressure will be sky high. So your people, clients, investors and all other associates should view you as somebody who is a pleasure to work with and having around in general. Participative leadership invariably works better than autocratic leadership.

As a general rule, you will notice that most new-economy entrepreneurs are gregarious, high-voltage people who make office as exciting as a soccer ground. They would jump and scream around at work, crack jokes, build colourful offices, dress casually unless the situation demands, organize picnics and get-togethers, have infectious energy levels, sit on the floor to get rid of stress and bring a guitar to office on weekends! They would be close friends with most of the team members, they would be the most preferred counselor for personal and professional problems, they would know and remember names of the spouses and children of their team mates, always begin their client calls on a humorous note and be the darlings of their investors. They know it is people who make ventures successful, and they work towards it all the time.

Values – Do They Really Play a Role?

The whole problem with the world is that fools and fanatics are always so certain of themselves, but wiser people so full of doubts.
— Bertrand Russell

I met an investment banker who was incessantly praising the Godrej Group as one of the most successful companies in India. This surprised me in that some other companies when evaluated on market capitalization, profits or revenue figures surpass Godrej by far. And although Godrej is undoubtedly in the league of top corporations, a logical list should name a few companies before it. When I asked the banker why he felt that way, he gave me an answer I will always remember. He said that the true evaluation parameters for a successful company are not profit or sales figures, they are shareholder value, business values, employee values, management values, faith, brand equity and respectability. And Godrej ranked very high on all these. He also narrated an incident related to the group that is hard to reproduce here, but I was convinced.

I know it might be strange for some of us to see the mention of values in a cutthroat, commercially driven business world. Honestly, I have experienced that it is difficult to carry a one hundred per cent commitment towards values while running a business. This may be different from what they teach us in the business ethics curriculum back in B-school, but you may call it the on-the-field observation from a 'struggled' entrepreneur.

As a simple example, when your clients don't pay you your compensation when you really deserve it, can you afford to pay your vendors just when they deserve it? In spite of your most honest intentions to pay, you will realize that it won't work till you have regular cash flows yourself.

In another example, suppose you desperately need a project to keep your company going. You submit quotes for it and so does another competitor. The project would go to the lowest bidder. At this juncture you realize that your competitor can find out your commercial bid by paying a mere ?500 to a clerk in the client organization. He will then easily undercut prices and bag the order. You feel doing the same would be wrong. But when you think about your bank statement, you figure out that your company needs this project to ensure that your dream won't die even before it began. More importantly, you know your competitor is not worried about his value system. So what do you do? You pay ₹1,000 and get the project.

So where have all the values gone? Clearly, they have been overshadowed by the painful realities of the big bad world.

Does that mean we shut our eyes towards all values and ruthlessly surge ahead with no guiding principles? Absolutely not. Had that been true, companies like the Tata Group, Godrej and Aditya Vikram Birla Group would not be the resounding success stories that they are today. My dearest father has worked for many years as an institute director with the Apeejay Stya Group, one of the leading educational groups in India, and takes pride in being part of an organization that has a no-compromise approach with values and ethics.

However, like most things in life, your attitude towards values-based business has to be a very balanced. A good definition of values in the context of business would be 'to nurture and build an organization on a strong ethical foundation and abiding by a pre-defined value system that acts as a guiding light for the people within and outside your organization, and has the flexibility to adapt to crisis situations'. You will appreciate the importance of the last rider only after having experienced business for some time.

At this juncture, it becomes essential to discuss a few basic components of work ethics for your start-up company and the code of conduct most successful entrepreneurs follow. First and foremost, most entrepreneurs have very clear guidelines for themselves and their people. How flexible or rigid those guidelines are varies from person to person. But entrepreneurs are seldom in the dark about the values they want their organization to follow. Likewise, you must aim to nurture an environment of ethical business practices. Do not encourage your people to take to unethical ways of working for every small and big hurdle. If you allow them once or indulge in the same yourself, it will slowly creep into your organizational system and spin completely out of your control. Here is an example.

I know someone who runs a plastics pre-form distribution business across India. Over few meetings with him I realized that he was almost used to lying to his clients on the status of orders. He always had some genuine-sounding excuses that gave him extra time to fulfill or dispatch those consignments. He often involved his sales staff as accomplices in dodging clients and asked them to lie on his behalf. After a few months, I visited his office again and found him screaming at some of his staff for misleading some of his blue chip customers who had called in to track their orders. These were the customers he did not fool around with, but to his dismay, he discovered that some of his own people were doing just that. He could not afford that and realized that the culture he created himself had gone beyond his control.

Second, most entrepreneurs are fiercely honest with their own employees. I am associated to an educational institution that is run by a dynamic middle-aged individual. He has been able to build a name for that institute within a short span of fourteen years in a fiercely competitive technical education market. During the time I spent with him I realized that he was a nightmare for his vendors. He just wouldn't pay them on time - not as a compulsion but as a policy. Initially that disturbed me for a while because I was visiting faculty in that institute and worked hard on giving the students the best I could. Later, to my surprise, the institute paid me and the entire faculty a week in advance. In case we were unable to pick up our pay packets, they would be hand-delivered to our offices or homes. On finally questioning the director on this differential behaviour, he just smiled and said, "You faculty members are family, the indispensable pillars of this institute. The vendors are outsiders." The simplicity with which he said this was proof enough of his clear understanding of the demarcation he had to engineer even in his organization's value system. And why not? The people who work with you are partners in success and failure and together form the organizational whole. Being honest with them will bring you back something very valuable – they will be honest with you.

Finally, all entrepreneurs are aware (or should be aware) that culture and values always take the top–down route. You will reap what you will sow. If you have been sacking people without giving them ample notice, soon the others will start quitting without letting you know either. If you have been deducting money for every half-hour that they come late, be prepared to pay them for every extra hour that they work. If you have been cheating clients on their billing, you can be very sure to get inflated reimbursement bills from your staff. If you have been violating copyrights, no one can help you maintain the sanctity of your intellectual property. So remember, a good entrepreneur is someone who has deep insight into the values he wants his organization to imbibe and the repercussions that follow in failing to do so. Even in a case where some not-so-value-based step has to be taken to get your company out of dire straits, make sure you involve the key members of your organization and communicate the situation and the compulsion.

To end this discussion, I will narrate an incident that made a dramatic transformation in my own perception of values vis-à-vis business development. When I was about to complete my MBA, our institute invited an entrepreneur who is among those who inspired me to become an entrepreneur. He was Mr. Bharat Kapoor, the promoter of *First City and Parenting* magazines. During his spellbinding lecture, he told us about an incident where one of his marketing team ladies approached a valuable customer's office for the regular advertisements the latter placed in *First City* magazine. Shockingly, the client misbehaved with the lady who came back to Bharat Kapoor quite disturbed. This was a critical decision for him. On the one hand he was responsible for the well-being and security of his staff and on the other, his company desperately needed the revenue from the client's advertisements. Bharat Kapoor not only stopped business with that client at the cost of lacs of rupees but also considered a harassment suit against him. Today Bharat Kapoor is among the most respected literary entrepreneurs in New Delhi and is a brilliant success story. I wonder if this would have happened had he put his values at stake for short-term gains.

That Something Extra

When you are tough on yourself, life is going to be infinitely easier on you.
— Zig Ziglar

Till now I have been talking to you about some very clear and observable traits of successful entrepreneurs. You can understand them easily and also visualize how much of an impact they have on the growth charts of the start-ups these magnificent people set out to build. However, it is important for me to take you on a quick tour of some very deep-rooted qualities and personal strengths entrepreneurs have that may not be visible at the first glance. When you embark upon a more analytical assessment, you are bound to discover some inherent forces in these men and women that set them apart from the people who work with them. Let's try and take a peek into some of them.

- **Undying drive** – Dhirubhai Ambani, the founder of Reliance Industries, once said, "I will retire only on the cremation ground." And he did. What else can you expect from a man such as Dhirubhai? A spiritual leader once told me that life is not about running a rat race for materialistic things. An entrepreneur once told me that life is about climbing higher till your last breath. Perhaps the spiritual leader was right. But I was personally more moved by the entrepreneur's perception of life's goals. And it is this killer instinct that gives this world people like Dhirubhai, Sir Richard Branson, Steve Jobs and Bill Gates.

Let's now come closer to some less legendary names. I once worked with an engineering graduate who was running a dot-com company. His company suffered huge losses within six months of funding and finally shut down by the end of the year. I was witness to the killing stress he went through during the last few days of his organization. By the time the company pulled its shutters down, I was certain that the man had nothing left in him and would probably look for a quiet job somewhere.

Three months later he called me and was bubbling with the same energy and excitement he had when he founded his first company. He told me he needed my help as he was planning a great concept and was launching another company. I lost touch with him a few months after that and don't know what happened to his new venture. What I can be sure of is that this man would succeed one day, if he hasn't succeeded already. Not because he was exceptionally talented but because he was exceptionally persistent.

- **Bouncing back** – A senior executive from HCL Infosystems told me that the biggest strength of Shiv Nadar, his senior and the founder of HCL, was that the man never gave up! Even if he lost a $10 million project, he would come back equally energetic, confident and thirsty for more work the next day. Somehow all entrepreneurs, big or small, share this characteristic. This usually proves to be a big enabler of continuous business growth since all businesses are subject to ups and downs and the ability to tirelessly surpass the hurdles makes an entrepreneur different from the others. In fact they say that the true test of an entrepreneur is not when everything is going right, it is when everything is going wrong!

Consider this. You lose a big order one day. The next day a premium client takes away his account from you. The third day a customer refuses to pay a big outstanding amount. On the fourth day your best employee resigns. The fifth day brings with it a huge jump in the prices of raw material you use. On the sixth day you are summoned by the excise duty office for a violation you never realized. On the seventh day you lose another big order. How long can you take it? If your answer is forever, you have what it takes to be a champion entrepreneur.

- **Patience** – Have you ever heard of the story of two farmers who planted wheat on their small fields together? The village elders asked both to wait at least three months before they cut the crop. One farmer got impatient and excited and cut the crop a week in advance, only to find that he could neither sell nor eat that wheat. The second farmer waited as advised and cut the wheat exactly three months later. He not only had enough for his family but also sold the excess wheat to buy another field. The lesson is glaring. When it comes to running your company, there is really no elevator to growth and riches. You have to take the staircase. And this ability to hang in will be tested several times during your routine work. The persistence and endurance of an entrepreneur is needed everywhere – with customers, investors, authorities, employees and even their families.

A close friend named Gautam runs an upmarket bookshop in New Delhi. Several years ago he had invited me to coffee at his office one day. On reaching there, I heard almost screaming sounds from his cabin. Very sure that Gautam was probably rebuking one of his employees, I decided to sit outside for a while. Within five minutes, I could make out that the loud voice was not Gautam's. I realized that the situation was just the opposite! One of Gautam's employees was shouting at him at a pitch that could probably be heard across the street. Later when I went into his cabin, my first question was why did Gautam not fire that guy? He replied that the employee was very critical for the smooth running of the business and that he did not want to react till he found a good replacement. Gautam was only twenty-five and yet taught me one of the most crucial qualities of successful entrepreneurs – patience.

- **The inexplicable Antaragni** – Finally, I would like to touch upon something that even I find difficult to discuss and explain. It is something that can only be felt and experienced. I call it the inexplicable concept of Antaragni or the fire within. This is something I use to describe a weird spark that entrepreneurs normally carry within them. Why else would a world-class engineering or management graduate working in New York for a huge multinational come back to India and open a lab in a garage earning a pittance? Some people would call such a person mad. I would call him a star. All these attempts made by these wannabes are not driven solely by money, fame or material gains. There is something extra, something more. Did all Alexander Graham Bell ever want was to make money on his telephones? I don't think so.

Entrepreneurship takes people beyond just tangible and monetary profits and offers a feverish sense of being on a mission in them. It is exactly here where I compare true entrepreneurs to the likes of Sachin Tendulkar. Sachin may be one of the richest sportspeople in the world, he may be an advertiser's delight, he may be driving a Ferrari, but above and before all this, he probably just wanted to play fantastic cricket. And I guess this is similar to what Thomas Edison must have wanted. He did not want to earn dollars on his electric bulbs.

He simply wanted to light up the world.

I sincerely hope that this chapter has given you some insight into the mind and mettle of an entrepreneur. Please do not infer this chapter to be a list of 'essentials' that you need to have to be able to fulfill your entrepreneurial dreams. Not even the greatest of men are likely to possess all of the aforementioned qualities or personality traits. However, there is no end to learning, be it professional competence or personal characteristics. Use this chapter not as a scale but as a set of benchmarks.

Also, maybe you can refer to this chapter a few years from now when you are running a $20 million company - just to see how far or close you have reached to becoming the man or woman you had always wanted to be. E-mail me then. It will make the effort of this book worthwhile.

There are only two mistakes one can make along the road to truth; not going all the way, and not starting.

— Buddha

CHAPTER 3

Transforming Ideas to Implementation — Getting started

In the modern world of business, it is useless to be a creative, original thinker unless you can also sell what you create.
— David Ogilvy

The initial days of my planning a venture were spent in some sort of idea galaxy, where every passing hour seemed to throw a new business possibility at me. This was the obvious outcome of a dynamic and vibrant market that was rapidly evolving and hurling new ideas at anyone who wanted to be part of it. Also, anyone evaluating the exciting prospect of starting a new business would look at the numerous options available. I became nostalgic when one of my MBA students disclosed to me that he was planning to start a business out of the three possible areas that he was considering – importing sports bikes to India, exporting beetle leaves or manufacturing cell phone accessories. I appreciated his zeal, but I also saw total chaos and lack of focus. On probing, I found that he was absolutely clueless about how to turn any into a commercial venture or whether his skillset and knowledge suited these business plans. The approach I suggested to him is what I intend to discuss in this section.

So, what is the correct way of selecting a business? It is by far the most important decision in an entrepreneur's life. It not only determines the financial chart for the individual's future but also plays a key role in taking him or her to a path that may or may not offer the professional satisfaction he or she is looking for. This obviously does not mean that the domain decision taken at the outset is something that you can't change later. George Soros went on from being a tobacco salesman to become the richest man in the world heading Soros Fund Management, the principal investment advisor to Quantum Group of Funds – one of the largest investment banks on the planet. Nokia evolved from being a paper mill by the Nokianvirta river to manufacturing rubber products to becoming a cable and electronics company to earning global respect as a telecommunications giant! How is tobacco related to corporate finance or wood pulp and rubber to cutting-edge mobile phones? Clearly, businesses can be changed at a later stage depending on market forces and personal suitability.

However, it is not the approach you would want to begin with. Ever thought why most Indian marriages succeed? It is probably because of the intention with which they are started –a lifelong commitment. Similarly, in business when you deliberately burn all other bridges and enter into a long-term plan, the chances of you seeing it through even the tough times become higher. It is this willingness and ability to stay on when all others have left makes a human being a winner and an entrepreneur a business leader.

A man is a hero not because he is braver than anyone else, but because he is brave for ten minutes longer.
—Ralph Waldo Emerson

Try and get the perspective right. I am not saying that once you choose a business, you get stuck in it no matter how unrewarding it becomes or however bright other opportunities may be. No. In fact, it is important for you recognize the advantages of being a flexible entrepreneur running an equally flexible organization, especially in today's corporate conditions when yesterday's profitable models may become obsolete tomorrow and another brilliant opportunity may arise the day after. We have all heard of successful organizations diversifying or changing directions to remain competitive. So do not get confused between 'sticking to your guns' and 'getting stuck'. It is easy to misjudge the thin line between bad times in business and bad business. When three straight quarters do not give break-even revenues, most start looking at alternative plans if the business plan wasn't long term. That could be dangerous. It could mean a premature abortion of a business that could perhaps have been something else over time. But this inability to persevere is the reason why many new companies close down within the first year of operations.

Companies and individuals who resist the strain and keep pressing on are the ones who emerge as tomorrow's established organizations. Dhirubhai Ambani's partner left him in the very formative years of his business, and Henry Ford went bankrupt at the age of forty-two!

Idea Generation and Market Scanning

Zeal is a volcano, the peak of which the grass of indecisiveness does not grow.
- Khalil Gibran

Let's now come back to the original question: How do you whittle down your list to the right business? There can be three ways of doing it: 1) Market research and environment scanning, 2) gut feel and 3) a combination of the two. I would strongly recommend the last approach.

Market research can be difficult for an entrepreneur who does not have enough financial resources (and most of you won't!) to hire a professional research company. This leaves you with no option other than conducting your own small-scale research. Chances are you will have to attempt this single-handedly; if you are lucky, you may find a few helpful friends and associates. It does not matter whether your scale of research is small, just be warned that this not something you can afford to ignore. In corporate parlance, you would call it 'due diligence' for yourself. Let's make the discussion practical and clearer with an example.

Suppose you shortlist a set of three businesses, and first on your list is setting up a retail financial services organization.

This 'shortlist' is the simple outcome of your idea- generation exercise. You may have arrived at this list through personal preferences, success stories, environmental stimuli, past experience or suggestions. In any case, you have to prepare this list. Because you cannot possibly research every business on this planet, this list becomes an absolute essential, and most aspiring entrepreneurs have it in their minds way before they actually start working or researching every possible idea on the list. In a rare case, if you don't have any such idea and you are aggressively looking for one, I'd suggest that you do what Henry Ford once advised all the people in the business community: "Read a lot, think a lot and work a lot."

When you read a lot and rake through business magazines, books and journals for weeks or months, you get a basic idea of market opportunities and trends (most dotcoms were inspired from success stories in the newspapers). When you think a lot, you are able to partially assess these opportunities and see if they suit your professional expertise and temperament. Finally, when you work a lot, you get a good grip on what you are moving towards as well as your strengths and weaknesses. Once your initial idea list is prepared, you can come right back to the research and analysis exercise.

Research, Feasibility Analysis and Gut Feel

As suggested earlier, you should start planning a self-conducted research. What should the structure of the research be? What are the key results that you need to be able to arrive at the end of the exercise? If you have the structure ready, it is easier to arrive at the results and conclusions. Always remember, due diligence gives you data about a particular business area, and research allows you to convert that data into some fruitful and funneled information. Finally, in-depth analysis, interpretation and study offer what you need most — market understanding and domain knowledge (Figure 3.1).

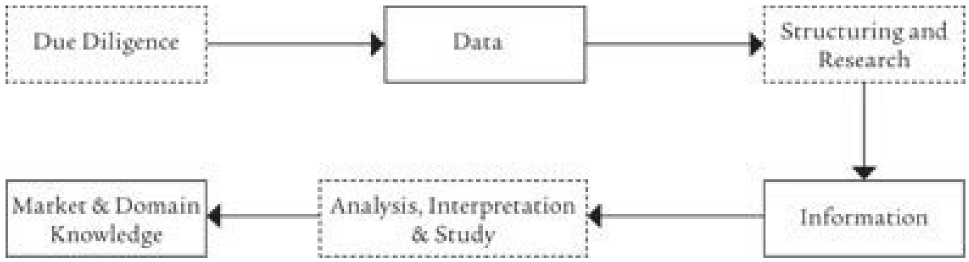

Figure 3.1 *A chart to show due diligence gives you data; research helps you to convert that data into information; analysis, interpretation and study offer you market and domain knowledge.*

Now let's try and frame a stage-by-stage research structure and thought process for understanding and evaluating opportunities in the retail financial services space.

Stage 1. Understanding the Business Dynamics

- *What are retail financial services?*
- *What role do banks and other financial institutions play?*
- *What are organizations' outreach mechanisms to the retail customers?*
- *How does the business model overview look?*

Stage 2. Past Trends and Forecast Statistics

- *What were the past growth rates and market size?*
- *What is the current volume of commerce in the retail financial services sector?*
- *What are the expected and forecasted market trends?*

Stage 3. The Role Played by Start-Up, Small and Medium Enterprises

- *Do the start-ups and SMEs fit in the business model?*
- *Do we have enough data on business volume handled by SMEs?*
- *Have we assessed the performance of small retail finance outfits, direct sales agents, consultancy services and their respective revenue streams?*

Stage 4. Opportunities that Demand Products and Services

- *Have we made a study of the demand and supply?*
- *Have we identified high-demand areas?*

Stage 5. Capital, Infrastructure, Expertise and Alliance Requirements

- *Is it a knowledge, technology, people or capital-intensive business?*
- *What are the key drivers of the business?*
- *Do we have or can we gather the prerequisites?*

Stage 6. Competitive Scenario and Market Conditions

- *What is the quality- and quantity-wise intensity of the competition?*
- *Who are the leaders and why?*
- *Have we identified a niche in terms of market segment, products and services or quality?*

Stage 7. Condu OT with Respect to Points 1—6

- *Are we suitable to the nature of work?*
- *Do we have availability of finance, either self or invested?*
- *Through our social or professional network can we forge alliances and partnerships?*
- *Do we have the ability to gather technical and human resources?*

I know you must be thinking, "This is so much work!" I could respond to this feeling in two ways. One, the list is quite exhaustive and you need not follow all the steps and sequences (although each one is strongly recommended). Second, if 'so' much work bothers you, rethink you wish to enter the entrepreneurial battlefield, because this much work is not even a drop of the ocean of hard work coming your way.

Now, if you reread the research steps from the earlier list and perform a quick analysis, you will realize that this framework can be used for any business segment evaluation and not just retail financial services. With minor changes, additions and deletions, the construct can be blended well into any industry model. Stage 1 gives you the basic theoretical underpinning and overall understanding of the industry under research.

Stage 2 allows you to judge where the industry is placed on its lifecycle curve, that is, whether the industry is in its nascent stage, on a high-growth map or at its maturity. This stage enables you to understand the longevity and growth your business can expect. For example, it may be a good time to launch a green power-generation organization looking at encouraging forecasts from research agencies and the crying need of the planet. On the other hand, it may not be a good idea to try and set up a polythene or CFCs manufacturing unit at this time.

Stage 3 takes you into the crucial aspect of understanding and determining the share of SMEs and start-ups in the industry's revenue pie. This is critical, since a lot of industries that show booming prospects are essentially the 'big-fish' game. For example, the telecom sector may be on a growth curve, but can you plan to take on Reliance, Tata or Bharti directly? It would illogical unless you investigate opportunities that are present as peripherals, such as SMS marketing (!), mobile apps development or Internet integration services. The March 2003 issue of Business Today had an article that screamed out to software companies to shape up or ship out. Today we realize how nearly true that warning was as the industry panned out over the next decade. This should encourage you to study the place of the SME sector in whichever business you are evaluating. Interestingly, the retail financial services space has good scope for SMEs and one-man companies even today. This is evident from the growth in the number of channel partners for banks and financial institutions.

Stage 4 covers the practical methodology for fitting your organization in an industry framework based on the simple products-and-services premise. The healthcare and pharma sector may be on the rise, but how easy would it be to zero in on any specific product or service that you or your prospective organization can make a fruitful contribution to? Or find something that has not been done already? You just might, but then you might not either. Always remember, it is not always the attractiveness of an industry that determines business success or failure. It is products and services. A brilliant product in even a mature industry can sometimes make ripples and deliver supernormal returns. Today there are scores of e-commerce companies around, but flipkart.com is growing at remarkable speed because they have redefined the online retail and service experience. In other words, they offer true and exceptional value to the user through their product or service.

Stage 5 is where your entrepreneurial story actually begins. It is here that your mental faculty starts evaluations. This is where you make a resource-requirement analysis, and by the end of it you have a reasonable idea of the things you would need to bundle together to get closer to your objective of launching a successful business. And this is critical, because you are not really doing a detailed project cost-and- resource allocation study, but you still figure out the most fundamental platform to decide if the business space you are researching is really the right way forward. Also, a lot of businesses that seem easy from a layman's perception actually come with a lot of resource-strings attached. And it also happens the other way round. For example, I have met many people who believe that medium-scale Web development requires only office space and ten desktop machines (each worth $500 or ₹25,000 perhaps) as infrastructure. Little do they realize that the advanced software required for each desktop can outprice the machine by up to ten times! Yet, when a friend set up a hundred-member multilevel marketing company in only about $10,000 or ₹5,00,000, I was surprised. Perceptions can be deceptive, and how.

At this stage it is also important to understand that 'resources' include a lot more than just money. Domain knowledge, networking and the presence of mentors could be other aspects. For example, no bank will give you a DSA (direct sales agency) status till you have a proven track record in the marketing of financial services. An exception can perhaps be made if the chairman of the bank happens to be your father-in-law! I know it sounds silly but such things cannot be ignored when it comes to practical business. And your serious Project Launch books won't teach you this.

Plans are only good intentions unless they immediately degenerate into hard work.
— Peter Drucker

Stage 6 of the research exercise involves an insightful evaluation of the intensity of competition in the market. The example of BPOs or software companies can again be fruitfully used here.

Software services and BPOs are high-opportunity areas, but the presence of a large number of large, medium- and small-scale players at every level of the business value chain makes them difficult industries to penetrate and operate in not only because of the market-share fragmentation but also because of the negative push it gives to the margins and profitability of the sector. As there is no dearth of BPO work coming into India, the price viability of the jobs becomes affected–an obvious outcome of the presence many smaller players operating on very low overheads. This makes project-bidding tough.

You also need to consider that the easier it is to get into a business, the higher are your chances of facing tremendous competition. High-entry-barrier businesses are not always bad. (At least, it's not so when you have been able to overcome them.) Apart from the quantitative analysis of the existing competition, you need to investigate the quality of contenders too. You need to identify the market leaders and try your best to pinpoint the core reason or competence behind their success. It may be difficult, because their mere presence in the market for much longer than you may in itself be the reason for their superiority. Whatever the case, this reason-finding approach will compel you to gain an insight into the competences of the strongest player in the market, which will certainly lead to serious learning.

Finally, after a thorough study of the market space and the competitive jungle, you need to look for opportunities in comparatively unchartered territory. The 'Waiters-on-Wheels' case study springs to my mind wherever there is a discussion on identifying opportunities. Some really talented (or researched) entrepreneur identified that the biggest money- spinner in the food and beverages (F&B) industry could be to bring customers and restaurants together in a traffic- and parking-congested city like New Delhi. So he or she decided to make eating out convenient for Delhiites while giving regular and easy business to restaurateurs. He or she decided to enter the industry via the logistics route instead of setting up yet another eating joint. And before long WOW warriors in yellow scooters had invaded the city!

The last stage of your research demands extra thinking and logical analysis, and the conclusion you arrive at will determine the 'go' or 'no-go'. In Stage 5 you had learnt the financial, knowledge and other resource requirements of the business space. In Stage 7, the last stage, you need to make an inward-looking evaluation to assess if your resources fulfill industry- specific requirements. You will become aware of not only the roles the capital-intensity, networking and intellectual demands of the business play, but also how fit you consider yourself when placed in the thick of the industry. For example, I do not see myself enjoying running a debt-collection services organization, no matter how commercially sound the idea may be. I'd rather run an educational institution that teaches English literature or world history. Simply put, unlike what most of us believe when we are young and full-blooded entrepreneurs, money is not the only criterion for selecting an occupation for professional life. Money no doubt tops the list of selection criteria, but there are many intangible yet crucial considerations to be made as well. Work satisfaction, intellectual fulfillment and camaraderie are very real necessities and affect our lives to less measure.

So ponder before you take the plunge.

Remember to assess how your network, friends and relatives can add value to your effort in getting those initial breakthroughs. A word of caution at this juncture – I know most of us would like to be self-made success stories, but there is no harm in using a few ladders towards the heights you need to scale. An issue of *India Today* magazine described Dhirubhai Ambani as the 'Networker'. What does that convey to you? But no one can doubt that Dhirubhai was a self-made man.

Despite emphasizing so much about the need for research and analysis to launch a business, I also find it necessary to tell you that sheer gut-feel rather than number-crunching has led to the birth of many world-class organizations. I wonder how much managerial study Late Gulshan Kumar might have done before he went on to conquer the audio cassette industry with his cost-effective T-Series products. I read in a newspaper article that Mukesh Ambani decided to launch a biotechnology company over an evening dinner with a talented friend! And who can question the business acumen of a man as professionally gifted and competent as the chairman of Reliance Industries himself? This also reminds me of a line about starting a business that Nolan Bushnell inventor of Pong and founder of Atari Inc. once said, "The critical ingredient is getting off your butt and doing something. It's as simple as that. A lot of people have ideas, but there are few who decide to do something about them now. Not tomorrow. Not next week. But today. The true entrepreneur is a doer, not a dreamer."

A balanced approach is what I would suggest at the end of this discussion. In business, it doesn't help to wait for the raindrop in the drought, so take the plunge, but don't forget to test the waters either. Be sure to conduct a research but ensure that it is completely result-oriented. Your objective should be to arrive at informed decisions and to get on with business as soon as possible. No research ever gives you 100% positive indications. There is no perfect and hurdle-free business space. However, you must have the capability and common sense to differentiate between difficulties and insurmountable roadblocks. As the last step, remind yourself that if statistics and research were the final word in making businesses successful, then the Fortune 500 list would be full of market research companies with statisticians as CEOs! Just as much as you should not undermine the power of research information, you need not be bogged down with figures and pie charts either. As the good old saying goe, he who dares, wins!

The Business Plan and Revenue Model

My only scheme was to be a rapper.
—Eminem

In early 1999, I walked into an investor's office without a business plan. I was as close to being thrown out as corporate civility would allow. When I was stepping out of the conference room, one of the members from the investor's team came and put a sympathetic arm around me. With brotherly concern he said, "Vineet, before you think of starting a company, lock yourself up in a room for a month and write. Write your business plan. It will not only tangiblize your thoughts, it also makes people like us feel that you are not here for just a conversation. You mean business." I walked out of that office straight into my study and locked myself in for a month.

Don't stand by the water and long for fish; go home and weave a net.
— Chinese Proverb

Somehow I have come across very few business managers who realize the true importance of documenting ideas and plans. Even during my consulting assignments with some start-up companies I found that writing a plan report was way down on the priority list for most of the promoters. Worse still, teams or individuals who had no plans of approaching investors did not have the business plan on the 'to-do' table at all. The reasons were numerous. Many entrepreneurs thought that writing a plan was easy and could be done at a 24-hour notice before the VC meeting. Others found it too technical for the want of expertise. Yet others thought that a plan was always prepared for prospective investors and not required if raising seed investment was not a part of the overall model.

Let's first get a clear picture about the objectives behind preparing a plan. We will then discuss the areas this plan should cover.

A business plan is NOT just an investment-raising tool. No doubt it is of primary importance during any capital- gathering exercise, but that is not and should not be its sole purpose. Follow the points listed below to understand the merits of a well-written business plan.

- ***Tangiblizing ideas to achievable goals.*** If you are seriously planning a venture, you would agree that your mind is in a state of flux. You get new ideas by the hour and numerous thoughts keep mushrooming every now and then. You might even get a brilliant brainwave all of a sudden in the middle of the night, and the excitement keeps you awake for hours after that. Many of these ideas are so good that you hope you won't forget to implement them later! Well, you would, if you don't write them down. Do you recall preparing important notes in high school? You did it so that you didn't forget the critical parts when you hit the examination patch. The same logic applies here. The first deliverable of the business plan is not for the investor. It is for your own use and clarity. A business plan is a reference manual that you and your team can pick up every time there is any ambiguity. The plan will keep bringing you back on track. This application of the plan document will become clearer when we study the components of a standard business plan.
- ***Chalking out the financial roadmap.*** How would you determine six months from the launch of your venture whether or not you are

achieving the targets and financial milestones that you set? How would you determine if your costs are under control and your revenue streams are in the right direction, if not in place already? For both, a clear and well thought-out guide is an absolute essential. And, that's what a business plan is meant be–a beacon. At the end of every month or quarter, you should be able to flip back the pages of your plan paper and match it with the actual figures. Obviously your plan was written during the height of your research and with all the hygiene indications under considerations. So it will be the best measuring scale of your performance and will compel you to take corrective measures. Always remember, if you let your business move on an uncontrolled drift, you will soon burn through your entire cash. You need to keep a weekly (if not daily!) tab on your cash flow. Having a business plan ensures that you never deviate too far.

- ***A corporate bible for your top management.*** When you get into the real corporate arena as an organizational head, you will understand the importance of sharing a vision, mission, goals and objectives with the key members of your core team. I have had to herd in my teammates on a common mission platform whenever they have wanted to go too fast or too slow on the growth chart. All business managers understand the crucial role of 'internal selling' of ideas before these can be sold to clients and investors.

The business plan offers you a focussed mission statement that can be used as a ready reckoner every time you need to win the support, agreement and enthusiasm of your own people. The plan will assist you in reinforcing original business objectives and tell your key managers "Remember? This is what we always wanted to do and wanted to be!" I will give you an example. We had launched Magnon Solutions as a pure-play interactive agency. On one occasion, a key client asked us to get his corporate brochures designed and printed. Tempted by the business opportunity, my closest and the most able sales manager insisted that we take up the project. It is at these times when 'Focus vs. Diversification' decisions assume importance. In spite of the expected margins, I turned down the offer, much to the disappointment of my colleague.

The reasons for declining were many. One, we lacked the expertise in profitably implementing such a task. Two, we were unaware of the standard operating procedures and quality issues of this nature of work. Finally, it just did not correspond with our vision of being digitally focussed company. We referred this work to one of our printing partners. At the time of refusing the project, I tried my best to convince my associate. When he refused to find reason, I asked him to pick up a copy of the business plan. He was convinced after he read the mission statement. He had contributed to the framing of this statement. You will also come across such moments when you need to bring your team into a huddle and together take a peek into the plan that formed the foundation of your enterprise.

- ***Finally, the investor meeting(s).*** Although this comes last in the list of uses of a business plan, don't mistake it to be the least important. Let's now jump straight into the heat of the battle–the VC or investor interview! To drive the point better let's just gloss over some of the questions VCs could ask.

"Explain the revenue model of your business idea".

"How stable are the revenue streams?"

"Are revenue sources multiple or single?"

"What are the professional backgrounds of the promoters?"

"What are the yearly, five yearly and ten yearly cost and revenue projections?"

"What are the market opportunities you are looking to address and what are your products and services going to be?"

Now think about a practical and professional investor appointment. Can you really answer all these insightful questions over a conversation and coffee? Don't even try. Do you think that the Reliance oil refinery at Jamnagar could have been built without a project report? Do you think a Taj Hotel was possible in Sri Lanka without rock solid research and documentation of plans? So if seasoned corporate houses like Reliance and Tata cannot do without a business plan, how can you? If your answer is that your company and plans are too small for a plan, then this would reflect in your tone and the investor will lose interest. Remember, all investors, whether institutional or individual, look to finance businesses that have the potential of demonstrating explosive growth and skyrocketing ROIs. A detailed discussion on investor acquisition and management follows later in the book, but for now, take a careful look at the advantages of carrying a business plan to a prospective investor.

- A well-written business plan gives your venture a serious and committed look. VCs and investors take little interest in or patience with people who breeze in for unplanned conversations.
- A business plan compels you to thoroughly research the business space. And when you finish reading the chapter on VCs and investors, you will be aware of the importance of a deep understanding of your business.
- Investors do not pump in a dollar without a serious due- diligence exercise. Your business plan can be the first and most impressive stopover.
- The business plan will be a warehouse of answers to the questions that VCs shoot at you. You can effectively ask them to refer to the document for details that cannot be presented across the table.
- The plan paper would speak loads about your professional fabric. A 50-page business report is clearly a better indicator of your commitment than a two-sheeter. On the other hand, a 200-page long epic would convey lack of focus and organization.

Just to add here, the concept of an 'elevator pitch' is a beautiful description of the need to prepare for rapid-fire sessions. An elevator pitch is an encapsulated monologue of your entire business plan. Only that it needs to be conveyed within two-three minutes and perhaps within 500 words. And this is because on several occasions, a VC, an individual investor or an investment banker will give you only five minutes to describe your model. The total time you are granted is the time the elevator takes to reach the investor's seventeenth-floor office. So it is a good idea to carefully compress your thoughts into a crisp two-minute launch that is interesting enough to capture the investor's attention. Remember, all investors and bankers are busy people. The couple of minutes through which the elevator pitch lasts will decide if the investor is willing to give a couple of patient hours. And more often than not, the investors are sharp as knives and will be able to appreciate an idea from the way it is introduced. So before you pick up the phone and call up for appointments, be sure to have the elevator pitch ready. You might even have to blurt it out over the phone!

By failing to prepare, you are preparing to fail.
—Benjamin Franklin

It is now time we carefully crafted the structure of the business plan document. The advantage here is that the construct of the business plan is quite uniform across various business domains. Clearly, the content would vary within the standard heads and sub-heads of the plan.

Business plan templates are available like doughnuts over the Internet. I have visited over twenty sites that can guide anyone looking to prepare a plan. There is only one aspect you need to be careful of before referring to any website or book (including this one!) for your business plan structure. Most VCs go through scores of business plans submitted to them every week. Therefore, it would be expecting too much that a VC might overlook a canned template for a business plan. Any sharp-eyed investor or banker would not take more than a glance to spot a copied structure. So while there is nothing wrong in referring to a guide, avoid producing a carbon copy.

It is a good idea to go through some suggested structures so that you don't end up making some obvious errors or omitting some crucial heads under the plan. This would be even more important for aspiring entrepreneurs who have not had any formal management education. As mentioned earlier, avoid a copy–paste job.

We will now study a business plan structure that has been developed to offer as simple and generic a platform as possible. However, I emphasize even at the cost of repetition that this framework should be used only as a learning exercise and a source of ideas. When you are done reading this book and have actually prepared your business plan, you should perhaps come back to this page and use this structure as a sounding board.

I am not sure whether writing a business plan is a science or an art. It's perhaps a bit of both. What I am sure is that the best approach towards writing a plan document is to keep it as simple and direct as possible. For many of us, a good and professional plan is a document full of complicated graphs, tables, statistics, flowcharts and sharply fragmented pie diagrams. But put yourself in an investor's shoes and picture yourself assessing one business plan every few hours. Would you have the time or the inclination to do an in-depth study of tables and charts, especially when you know that ninety nine out of every hundred documents are destined to your office dustbin?!

I would rather read a crisp and simply written executive summary. So would most investors. And that is where we will begin our discussion on the plan documents.

The Executive Summary of the plan paper is quite similar to the elevator pitch we discussed earlier. The only difference is that it is written. The objectives of the two are identical – to make sure that the essence of your entire plan is highlighted within a few words that convey the commercial opportunity in a way that encourages the investor to know more about your business plan. I would call it a well-written executive summary if it does not cross two printed sheets of paper and yet addresses every crucial aspect of your proposed business - right from the business domain you want to enter to why and how will you be able to succeed to what opportunities present themselves in that space and what products and services you intend to offer to reap the benefits from those opportunities. A crisp paragraph or table on the long-term and consistent revenue-earning capability of your model is an absolute must.

The right approach would be to prepare several drafts and iterations of your executive summary and get them whetted by some qualified professionals and associates. In spite of that, it is important that the words and messages that go into the summary are your own. Since you are the originator of the model, only you can accurately express the true opportunity and spirit of the planned venture.

We will now try and identify the main headings and sub-headings of a carefully structured business plan. The construct that follows is by no means comprehensive and universally applicable. However, it should be sufficient to give you an insight into the essential components and attributes of a plan document.

Section 1. Executive Summary

Section 2. The Business Domain

–Understanding of the market space
–Market statistics – Size and growth
–The clear and present opportunities

Section 3. Your Business Plan

–The 'fit' between your venture and the industry segment
–Products and services
–Customer and market orientation of the products/services
–Competitive analysis and advantage –Why you?

Section 4. The Revenue Model

–Sources of revenue – Single/multiple
–Longevity of revenue streams and profitability
–Projections based on corporate finance models

Section 5. The Operational / Delivery Methodology

–Logistics and Operations
–The Business Cycle

Section 6. Opportunities and Potential for Growth

–Market share projections and consolidation strategies
–The growth plan – Vertical and horizontal
–Inherent scalability and competence for growth

Section 7. Costs and Resource Requirements

–The cost break-up – Set-up expenses and working capital
–Projected growth capital
–Projections and investment schedule

Section 8. Role of Investor

–Financial Participation
–Networking, management and strategic contribution

–Support in future investment raising

Appendix

–CVs of promoters
–Copies of strategic alliances/partnerships, if any
–Additional data and statistics

Let's now get a section-wise understanding of the plan structure. As is evident, Section 2 discusses the industry segment you want to be present in. For example, to launch an interior-designing consultancy, you would probably study and describe the real estate market, along with its peripheral segments. You would analyze the increase in the number of corporate offices, retail malls, restaurants and hotels, high-income-group residential areas and other parts of your target group, within the geographical area you intend to operate in. A fine blend of qualitative and quantitative aspects of the market would be a powerful underpinning for your plan.

At this stage, it is extremely important to understand that all market-size and growth figures and statistics must be essentially backed by credible secondary data sources. There can be nothing more unprofessional and embarrassing than to see some critical figures in your industry report being pooh-poohed by an experienced investor or investment banker. These people are champions of industry analysis and magicians with figures. So don't make up the statistics. They will catch you. Also, do not spend too much energy in trying to offer a 50-page industry report. A crisp description of the market dynamics along with a focussed eye for the opportunities you wish to address will form a substantial foundation for your plan.

In Section 3, you would introduce your planned venture. This would give the plan a systematic structure — narrowing down from industry-wide study to existing opportunities leading to your suggested business solutions. This is an obvious offshoot of the age-old principles of *demand* and *supply* and *need* and *fulfillment.* This will also portray your plan as one that has been well researched and one that has arrived at a well-calculated conclusion and not as some whim of an excited young individual. It's like identifying and realizing that the gold-rush (industry need) is on and the gold hunters have no shovels to dig with (opportunity). You decide to manufacture and supply shovels (products and services) to hundreds and thousands of gold seekers (customers and revenue). Bingo! You have a sound business plan ready. To be honest, I always faced difficulty understanding how business plans actually ran into pages. However, the gold rush example is just an easy way to grasp the concept. Complexity of today's business environment leads to numerous riders with every powerful idea.

The gold-rush business plan appears simple. Let's now see how complicated it might get when you need to be ready to face all sorts of tough questions from bankers and investors. First of all, who says there is a gold rush on? Do you have credible proof, or is it just a rumour? How many people have you actually seen getting the gold? What was the sample size? What was the ratio between the number of gold diggers and realized conversions? How long will the gold reserves last? How do you say shovels are the best tools to dig gold? Why not automatic drillers? And what if competitors are already planning to manufacture drillers? How many competitors exist? Why will gold hunters buy shovels from you? Do you have expertise in the iron-and-steel domain? Where will you buy the steel to manufacture the shovels? Have you participated in any such exercise before? Where will you store it? How will you transport it? Will you sell it out of one retail outlet or many? If many, do you have knowledge about distribution management? Who will you hire to produce the shovels? Why would they not pick up the shovels and go gold digging themselves? What will your manufacturing unit do once the rush is over? Will it have the capability to diversify? Why are you asking us for investment? Shovel manufacturing units don't cost that much, why don't you sell your car or your wife's jewellery and start all by yourself? Better still, why don't you sell the first 200 shovels and then come to us? Why do you want to start a business now? What have you been doing so far? And finally, are you willing to give us half of your company?

Does the gold rush plan still sound that simple?

The business 'solutions' I have mentioned obviously come in the form of products and services. You can never say, "I want to offer 'something' that will satisfy this particular need of the customer." You must be as specific about the solution as you are about the need. You cannot go to an investor and say that senior citizens are a huge segment for small investments and that you want to make a financial institution for them. What exactly will this institution do? There are many small investment consultants operating already. So the right approach will be to say that you have specific investment portfolios that are low risk and offer regular and long-term returns. Elucidate the strategic alliances you have struck with leading banks, government bodies and non-banking financial companies (NBFCs) to offer the best possible investment solutions. And finally, mention the various value-added services you will offer to your customer that will make you the best choice. Tangible and well thought-out products and services are the strongest proof of a committed research and project-planning exercise. Moreover, if you are able to highlight the inherent revenue- generation strengths of these products and services, I will say you are well beyond half the discussion.

Section 4 rings the words that are the essence of all commercial activity – *revenue* and *profit!* All investors and bankers will appreciate you and pat your back if you tell them that you wish to launch a chain of charity schools for rural ladies. Just that none of them will invest in you. This is not to say that investors and bankers believe in social causes any less than you or I do. In fact most I have met are wonderful and socially responsive human beings. However, a VC or private equity fund hires its people to facilitate corporate growth that in turn comes from profits and vice versa. It is part of their occupation to take commercially sound decisions, and that's what they would do.

So be very certain about how your venture will be commercially viable and where and when it will turn profitable. I found it most amusing when two leading traders from Delhi that I knew launched a customized software company (bizarre as it may sound!) in the year 2004. I visited their development centre and found it to be state of the art, buzzing with one hundred employees. On asking them how much work they had already picked up from the market, I was told they had picked none. While taking me on a gloating guided tour of the centre, one of them said, "We are in the investment stage right now. We are not looking at revenues at the moment." "But you must have some ROI schedule in place?!" I remember exclaiming. They had none. The next I heard about the company was the news of its closure by the end of a year.

If I have witnessed such a disaster in the comparatively shorter time that I have spent in the industry, VCs must have witnessed hundreds! And that is what they are guarded against most – entrepreneurs who feel investment will make their companies big and will bring them work and profits. Believe me, there is no such rule. Agreed that some post investment gestation period is acceptable, but a strict revenue inflow schedule can never be substituted. All investors are prepared for delayed revenues, but none would support a completely unpredictable revenue model. You need to be clear and realistic about your earnings projections, and they need to be based on thorough a study of the market, costing analysis and financial models. (A detailed description of these models is beyond the scope of this book. For further understanding of valuation and ROI concepts such as net present value (NPV) and internal rate of return (IRR), you may refer to any standard textbook on corporate finance.)

Other key factors like the multiplicity of revenue streams and the span of their existence also need to be carefully described. I am not too sure a VC will invest in you if your company plans to service one or too few clients on a restricted products/services offering. (This is one of the biggest challenges most small-sized call centres in India are facing). The depth, width and longevity of your target market will play a crucial role in determining the prospects of your company's long-term profitability.

So make sure your business plan document answers the following: How you will earn revenue? From whom? How much? For how long?

The delivery methodology of your products and services will be decisive in making your venture a success or a failure. Remember, a large number of dot-com models failed not because of poor management or faulty marketing plans, but because of logistics issues. It was never easy to trade in plastic resin or sell wedding gowns over the Internet. Not because of poor cataloguing or poor payment mechanisms, but simply because of uphill logistics management. And that is an issue with not just Internet-based businesses but also brick-and-mortar companies. (Remember the steel procurement for the shovels?) So if you are proposing to set up a food-processing unit manufacturing fruit juice, be sure to mention the entire supply chain model in your plan. It's crucial for the investor to know that you understand that starting a company is easy, but it's running the unit that's tricky. It will be your ability to manage a business better than the others that will place you high on the beneficiary platform. This is one of the reasons why previous experience in the domain of business has become almost a prerequisite with most investors and VCs. The market may be booming, the opportunity may be glaring, but 'why you?' is what most investors would want clear answers to.

It is unlikely that you will be stepping into a business area free of tough competitors (unless you have a cutting- edge technology invention or a key patent). So the obvious concern would be the ability to derive benefits from market opportunities sooner and better than your competitors. To enable you to confidently lay out your implementation plan, your competitive advantage should be clear not only for investor comfort, in your own mind as well. Finally, a brief write-up on the expected length and nature of your business cycle would be the most potent proof of your awareness and preparedness to face market realities.

The future of the business and not the present is what investors are keen on. Also, I suggest you chalk out a plan that talks clearly about the growth plans and future goals of the organization. A vision statement clubbed with a well-written and well-worded mission should do the opening trick. This is important not just to raise investment but to act as lighthouse for you and your organization too, whenever you need a course correction. Moreover, never try and curb the flight of your ambition as an outcome of the hardships that you face at the time of starting out. You should and you must dream big and let it show in whatever you say, write or do. You will never be able to own a $100 million company with a thousand employees if you don't plan to. It is the same old saying, "Aim for the moon, you will at least land on a tree."

But what kind of growth am I talking about? Is it growth of the turnover of the company, growth in the total number of employees, growth in the geographical area coverage or growth resulting from diversification? The answer is that it could be any of these, a combination thereof or all of them, as long as the projected path seems rational and implementable. Any plans or projections pertaining to growth and development need to be strongly backed by facts and concrete strategies. You obviously can't hope to explode into a hundred-fold bigger organization with a stagnant plan of action. You have to be prepared to evolve with the market, and that has to reflect in your business plan.

Before you start some work, always ask yourself three questions -

Why am I doing it, What the results might be and Will I be successful. Only when you think deeply and find satisfactory answers to these questions, go ahead.
—Chanakya

All strategies and foresight into market shares, consolidation periods, increase in scale, expansion of products and services and logically extended diversification plans have to be categorically presented with all the hows and whys well explained. You need to display a clear understanding of how you intend to spread wider and deeper into the existing markets and backward and forward linkages that will offer diversification opportunities. You will obviously not be in a position to pinpoint the exact mechanism and process, but a careful analysis of all possibilities and suggested strategies would be enough to highlight your intent and desire to grow. Finally, don't forget to underpin all this with statistics and projections. By the end of preparing this section, you are bound to feel even better and more bullish about your own business venture.

In the next section, you will slip across the table your wish-list in the form of neatly tabulated resource requirements. The investor knows that you are there to raise money that your business needs in its first phase. So be every upfront and clear about the requests you make. All you need to be careful about is that the cost sheet is justifiable and only a bare minimum, smart set of demands have been included. (Don't ask for a sedan for the director, which is you!) Even if you are not a MBA in finance, you can easily prepare the cost structure yourself. Just use some logic and common sense.

Remember to segment your expense plan under three simple heads – 1) Front-loaded capital expenses; 2) Working capital or recurring expenses and 3) Marketing and promotions budget. (Note that s number of strategic cost management and management accounting principles can be used to prepare the costing models. However, a simple format has been offered to allow readers without formal finance and accounting education to be able to prepare reasonably acceptable cost models themselves.)

Within capital expenses you should cover all the one-time, high-volume expenditures. This could include cost of machinery, computer hardware and software, initial recruitment costs, mobile phones, license fees, miscellaneous infrastructure and even incorporation expenses. Under the working capital head will fall all the costs that you would incur on a regular or monthly basis (also, frightfully called 'burn rate'!). This will comprise expense heads like real estate rentals, electricity and phone bills, bandwidth charges, raw material costs, wage bills, travel expenses and other office/plant maintenance costs. Finally, promotional budgets would address the issue of initial market penetration and the ways and means of doing it.

Depending on the nature of business, some marketing and advertising budgets would have to be earmarked right from the outset. Some businesses would demand high-expenditure media channels such as newspapers, Internet and radio advertising as the promotional tools. On the other hand, some businesses may not be mass advertising–intensive and may require direct marketing efforts. So the resource allocation needs to be done accordingly.

With a clear and objective view of all the three expense heads, you would not only stand in good stead at any investor interview, but would also get a systematic overview of your real resource needs presented in comprehensible figures and charts. This will also assist you tremendously in a situation where you have no other investment raising options but yourself. And nine out of ten start-ups face this eventuality. But trust me, it's not as bad as it may sound at this point.

A practical set of requirements listed clearly will allow you to evaluate and decide whether or not you can go it alone. Whatever the case may be, it is a good idea and a powerful asset to have a cost sheet handy. Whether it is for a razor-sharp investment banker, for your high-net-worth uncle who might be ready to fund you, or even yourself when nothing else works out.

The last section of the business plan should be focus on elucidating the various roles and responsibilities you expect the investor to deliver. To quote an example of our company, we once decided to offer a bit of equity to a person who was not pumping in financial support nor was intellectually vital for the business. His only strength was his network and presence in corporate circles that would have offered us a gateway to many big-client organizations. The reason why I mention this is to ensure that you understand the numerous advantages that (should) come with an investor. Money, though being primary, should not be the only criterion. Management support, strategic guidance, network build-up, technology enhancement, media presence and forging alliances are some of the key areas of investor participation. In fact a number of entrepreneurs prefer institutional finance to individuals simply because of the belief that institutional investors bring in numerous value additions along with the money they inject into a venture. Moreover, an inclination towards these additional sweeteners makes an investor feel important towards the overall working and development of the organization and not just be restricted to the function of a bank vault.

Whether an investor should remain active or passive is an altogether separate discussion, but a clear advantage of active and participative investors is the loads of experience, knowledge and marketing capabilities they carry. You obviously can't expect to get as much work from the government or the corporate sector as an established institution with years of state and industry liaison behind it can. We will study more about this topic later, but for now, all you need to grasp is the importance of listing out your expectations from an investor clearly and practically in your plan document.

Your business plan report may or may not need an appendix. This would directly depend on how much extra information you want to push across with the plan. In most cases, a bio-data section of all the key promoters seems to be a good selling point (if the CVs are well-loaded). In fact, one of the most seriously screened areas under investor magnifying glasses is that of the promoters' profiles. And why shouldn't it be? Imagine yourself once again in the investor's shoes. Now imagine that you have two similar business plans addressing the same market opportunities. The resource requirements are common and projected revenues are identical. Now consider that one individual has submitted one of those plans with no proven track record. He may be impressive in conversation but has no tangible credentials. On the other hand, the second plan has been submitted by a professional hailing from one of the best B-schools in the world. That individual has ten years of experience in the area of the business proposed in the plans. Over and above that, he or she is a regular contributor to business magazines and journals as an expert writer. The choice would be obvious for you, won't it?

In the same way it is obvious to the investor you are approaching. It would be a fallacy to believe that the strength of your business plan would pull you through, and your individual professional profile would be of no consideration. If horses could win derbies, jockeys would not be needed. Remember, VCs and PE funds invest mostly in people, not in fancy models, tables and pie diagrams.

Other important add-ons to the appendix could be any pre-investment progress that may be significant to your business model. For example, letters of intent from top sports brands to sign you on as an exclusive online retailer of their fitness products would be a sound proof of concept. Other examples could be alliance documents with overseas agencies, any government licenses that you may have bagged, franchise certificates from a multinational or an impressive list of board of directors and advisors. Similarly, any piece of statistics that may have made the main sections of the plan cumbersome, but is relevant to the report may find place under the appendix section.

Just as no business can ever be completely right or completely wrong, a business plan can never be called 100% correct or totally meaningless. The suggestions I have made are pointers that may assist you in preparing what may be one of the most critical documents of your life.

To really get down to the basics of report writing, make sure you introduce clear indexing at the beginning of the plan and ensure a neat and structured presentation of the entire content. In the rare case a hard copy is needed, do not forget to use fine bond paper, high-quality printing and binding for the report. You cannot predict at the outset where all your documents may reach, and you don't want a senior vice president from a Singapore-based fund to end up struggling with stapled sheets of paper. Finally, remember that your business plan is a highly confidential document and should be handed over with utmost care and discretion. The only people to ever get a look at it should be you and your management team, potential investors and perhaps some key associates or business partners.

Legal Safeguards

Diligence is the mother of good fortune.
— Benjamin Disraeli

I read an extremely interesting statement somewhere that said, "If you are serious about doing business, form a private limited company. Anything else is just conversation." So in this small section, I will take you through some of the important aspects that need to be kept in mind to ensure that your business is legally protected and is not unknowingly breaking the law of the land. This would only be a simplified and general discussion, and any detailed legal analysis is beyond the scope of this text. The Indian Company Act, 1956, is a mammoth volume in itself and even excerpts that are accurately relevant would cover a hundred pages. So the attempt here is to familiarize you with some basic legal concepts and safeguards that every entrepreneur should know and follow. Remember Napster? There is nothing more painful than a well-managed venture shutting shop due to unforeseen litigations. More importantly, your own legal safeguards in the company are absolutely essential, especially when you plan to devote your whole professional life to the venture.

Keep the following in mind while preparing to launch your outfit:

1. Please, please spend some money and get a lawyer by your side. I have known a lot of entrepreneurs who plan to get all the legalities in place without the support of a lawyer. If managing these issues were really that simple, attorneys would be out of business. This is critical, and you must implement this before you do anything else. This is just not where you ought to try and save money!
2. Spend some time researching what form of organization you should start with – a proprietorship, partnership, private limited company or even a cooperative. All of these have some advantages and disadvantages that any chartered accountant or corporate lawyer can explain to you.
3. Ensure that your business-related work does not violate any copyrights or patents or encroaches upon any trademarks or intellectual property. Spend weeks researching if needed, but don't take this for granted.
4. In case you are raising investment from a high-net-worth individual (HNI), conduct a verification exercise on the credentials of the investor. This may sound outrageous, but you don't want some unclean money coming into your organization.
5. Finally, if you are planning a private limited company, be careful on all aspects like shareholding, directorship, board rights and accounting.
6. Once you have actively commenced business, make sure that all your

contracts with employees, clients and vendors are prepared by a qualified law firm or legal specialist. Do not undermine the importance of these pre-emptive defense mechanisms, as they can sometimes be 'make or break' factors.

7. Lastly, as a general principle, be paranoid about the legal aspects of business. Even after you have spent a few months or a couple of years in business, keep your eyes and ears open to any inadvertent legal slip-up you might be making.

I am quite sure that by now your mind is already working towards how you would tackle the biggest hurdle on the way and how you would raise the money without which your entire plan may come crashing down. These are exactly the questions we attempt to address in the next chapter.

I began revolution with 82 men. If I had to do it again, I do it with 10 or 15 and absolute faith.
It does not matter how small you are if you have faith and plan of action.
— Fidel Castro

CHAPTER 4

The First-Generation Entrepreneur's Quest — Show me the money!

The real tragedy of the poor is the poverty of their aspirations.
— Adam Smith

I studied a survey sample of one hundred corporate professionals, students and housewives three months before I commenced writing this book. In response to a question that asked them to identify the single most important barrier towards entrepreneurial ventures, 93 ticked paucity of startup finance as the answer! This was a straight reflection of my own experience with starting a company.

When I floated around the idea of launching my own business among my friends, family and colleagues, I was stormed with numerous comments and suggestions about the viability of it all. "You are not from a business family!" "How would you raise a loan from a bank?" "Why would anyone invest in a novice like you?" "How long will you survive with your own money?" The questions kept pouring. To be honest, these doubts did prove to be serious deterrents for quite some time. Apart from the commercial impact of all these views, the more crucial effect was that of going against all these suggestions coming from years of wisdom gathered by the elders. I was afraid of the "See we told you!" outcome if my company or the idea failed to take off.

For days I was critically evaluating the thought, and there were numerous occasions when everything seemed to tell me, "Forget it!" Everything except a strong will deep inside me that said, 'Go on, you can do it!' All of this was on my mind when I chanced upon an article on Sabeer Bhatia, the founder of hotmail.com. The article outlined the growth and meteoric rise of Bhatia and portrayed him as one of the most successful entrepreneurs of modern times. It also mentioned how Bhatia had to knock on the doors of 19 VC companies to raise funds for the legendary Hotmail. He succeeded only in the twentieth attempt! This led me to research the whole concept of start-up finance and only midway through the research was I convinced that the advice of the elders and friends was not wrong but just terribly outdated! Although they were right in their own perspective, but as I explained earlier, somewhere along the way they had lost contact with business and contemporary entrepreneurial dynamics.

The views that they propounded were very pragmatic and well meant, only they were representatives of the 'old economy'. Till only a couple of decades back the financial machinery to support new ventures was entirely different and perhaps less accessible. VC companies had not arrived on the scene, banks demanded collaterals from promoters against loans (most of them still do!) and angel investors were unheard of. Only the government set up a few institutions to spur entrepreneurship in the country, and even their realized disbursal of financial support to new ventures was dismal.

But the scenario has changed dramatically. Not only is the government more active in promoting new businesses, the private sector has also emerged as a vibrant hatchery for entrepreneurial ventures. This combination of state support and private players is empowering bright young professionals to enter the corporate playground as business leaders, without essentially being from business families or having financial back-up though inheritance.

I am not undermining family-owned businesses, which in themselves offer inspiring examples of entrepreneurial energy and corporate turnaround. However, businesses passed on in legacy provide relatively stable and mature platforms for business growth.

In today's economic scenario, business lineage can at most be an advantage and definitely not a prerequisite. As a corollary, ventures are not dependent on self-finance anymore, and serious entrepreneurs can realistically dream of launching and running companies with external investor support. As the old angel investor statement goes, let there be entrepreneurs with powerful ideas, market orientation, good CVs and drive. After all these, money is a non-issue and goes way down on the priority list.

I will now try to present the entire menu of start-up finance options to you, to enable you to get a good overview of the various sources you can target to get the initial capital for your dream project. This will serve a dual purpose. One, it will highlight the importance and availability of investors for new businesses. And two, it will save you from putting in days of precious time in conducting the same research – days that can be effectively used to chalk out business plans and strategies.

Funding Options Overview

A wise man will make more opportunities than he finds.
—Francis Bacon

We all need to be aware and convinced that money for new businesses is available, and is being picked up from the market and used by the enterprising. Had this not been true, the entire industry life cycle would come to a grinding halt. New businesses are the fountainhead of overall economic development and are vital for commerce to flourish. And when they play such a crucial role and are emerging rapidly, someone is obviously funding them! The important questions are: "Who are the people or organizations that fund startups?" "Why do they do it?" "How can I reach out to these potential investors?" These are all valid questions that got jammed into my brain circuits when I was groping around for project financing options. And I am quite certain they challenge the minds of all aspiring entrepreneurs equally. It is exactly this set of questions that I would attempt to address in the coming pages.

I would not say that financing options available to new ventures come in bagsful. However, it would be wrong to assume that they are too few either. There are several alternatives that a budding entrepreneur can choose from to overcome the first hurdle towards launching a business. Concentrate on the pages that follow, and don't forget to go through the advantages and disadvantages of each of the options enlisted.

Debt Capital

Debt capital entails loans that you may take from banks, financial institutions or from a rich relative or family friend. This is the oldest and most widespread form of funding for new companies. Having said that, I find it essential to state that while raising money in this form is comparatively easier, paying it back is much tougher.

If you note, I said this form of raising money is 'comparatively' easier. Of course it still carries its own set of difficulties that difficulties arise from the conservative approach that most established banks, institutions and lenders follow. The reason for this is amply clear – defaulting borrowers. If you study Indian economics to some detail, you will understand the biggest roadblock towards rural financing by these institutions has been the rate of bad debts and defaulted payments. Although this sounds like a historical perspective of bank finance in India, the origins of lending dynamics can be traced back to these grassroots-level realities.

Even during the developmental decades of the 1960s, 1970s and 1980s, banks played a pivotal role in project financing. Institutions like SIDBI (Small Industries Development Bank of India) and IDBI (Industrial Development Bank of India) were set up to further give an impetus to this responsibility of the banking sector. Nationalized banks and financial institutions even now form a large section of the industrial lending machinery. However, it becomes vital for us to identify the difference between project financing and venture funding at this stage. Most banks and venture funds are diametrically opposite in the basic philosophy behind investments or lending. Banks are more inclined towards safer investment propositions that rely on secure business fundamentals and tangible models.

For example, a bank would be willing most likely to lend to a computer hardware manufacturing unit than to a biotechnology organization involved in high-technology human genome research. Also, I have often felt that bank financing is easier when it comes to expansion or diversification plans, than pure-play new venture funding.

Even today when you look around you will find that although banks and financial institutions are aggressively looking to sell their home loans and credit card solutions, they still undertake an elaborate due diligence and verification exercise before such deals are finally frozen. Mobile telephony operators indulge in extensive documentation before cellular connections are activated and personal loans' approvals demand proof of repayment capability. The internal policies of these organizations make it sufficiently clear to their fleet-on- street and operations-level staff: "Watch out for the defaulter!"

While cellular operators demand security money, credit card companies request for bank statements and personal loan agents ask for copies of income tax returns, and all this for a few thousands or lacs. Imagine the sweat on the forehead of the bank's business loan–approving officer when you walk into his office with a business plan that needs a million dollars! On a humorous note, one such officer confessed to me that he concentrates more on saving his own job than on the ROI analysis in the prospective borrower's presentation!

With the tremendous responsibility of gainfully getting the money of the lending institution back on their shoulders, the loan sanctioning authorities obviously look for several credibility and credit-worthiness parameters. These can include the applicant's career background, proven strengths of the management team, projected cash flows of the proposed business and finally a decision on what primary securities and collaterals need to be tied up. The risk infusion occurs when these collaterals include personal assets of the applicants. It could mean that your only residence or your family's fixed deposits become the securities against which the loan is disbursed. I know all this sounds discouraging, but I am duty-bound to present the facts of the entrepreneurial world to you just the way they truly are – some good, some scary. But that's the name of the game. A very well-known and powerful British entrepreneur once told me over breakfast that twenty years ago he had put his father's house on mortgage to buy his first mainframe computer.

Today he runs an empire worth a few hundred million Euros. I told you it's a high-risk-high-return track.

There are numerous internal policies and programmes that govern the lending decisions of banks. However, some banks have separate vehicles for regular business loans and new venture funding. For example, Canara Bank has a specialized institution called Canbank Venture Capital Fund Ltd. which has funded and assisted numerous start-ups, and in June 2010 set up its fifth fund with a corpus of ₹500 crores. Similarly, many Indian banks run the National Equity Fund (NEF) Scheme that can be of tremendous interest to you in case your funding needs do not exceed ₹50 lakh.

But overall, it is quite an uphill task to try and identify new venture-financing options from large banks simply due to a serious shortage in the number of bank-financed venture funds, and the collaterals that make the bargain painful.

In such a scenario, the best you can do is to approach leading banks that have a track record of start-up lending, with a professional business plan and attitude. Even in a case where you are unable to raise money immediately, you might come across a friendly banker who takes keen interest in your plan and promises to back you up during your second round of funding.

Advantages of Debt Financing

1. Many institutions fund start-ups in a 65:35 debt–equity ratio. This makes borrowing an easier experience and can bring in some sweat equity capital as well.
2. Bank financing mostly comes in the form of term loans. This freezes repayment plans and periods right at the outset, allowing the borrower to work out cash flows accordingly and set repayment targets.

Disadvantages of Debt Financing

1. Interest rates on the loan amount can erode your profitability unless you stick religiously to the payback terms. This is the single most important barrier towards bank borrowing. Moreover, any slippage in

repayment triggers a snowball effect that makes repayments increasingly difficult and often sucks the borrower into a whirlpool of debt.

2. Starting a business with interest-laden borrowed money may prove to be a psychological impediment. Although it is nothing unusual for seasoned businesspeople, it may not be smooth-sailing for you as a first-time entrepreneur. Besides, attaching precious collaterals will probably add more anxiety.

Thus, bank loans should be resorted to only when you are very certain about your revenue streams. Also, it may be prudent to pick up money in this form when it is being used to finance some tangible assets like real estate, trucks, offices, machinery, and the like, that can be pledged as primary securities without involving your personal assets. I am not delving deeper into this topic because of its limited real-world applicability to absolutely new businesses. Besides, I would recommend equity funding, which I strongly feel allows the entrepreneur to concentrate solely on business development and other growth-related issues and not be hassled by loan repayment tensions from day one. Finally, if bank borrowing cannot be avoided, make sure it strikes a good balance in your debt–equity ratio analysis. Bank loans can be clubbed with equity participation from HNIs, a topic that will be discussed later.

Equity Capital Angel Funds and Venture Capital – Back with a Bang!

We were young, but we had good advice and good ideas and lots of enthusiasm.
— Bill Gates

Before I start this section, I would like to state that all views and observations here are my own, and I would urge you to exercise caution before taking decisions solely based on my views. Also, VC funds are the very lifeblood of the entrepreneurial sector of an economy and my admiration for them is boundless. Any error of judgement in this section would be purely unintentional.

Do you the origin of the term 'venture' capital? From Spain's Queen Isabella's decision to fund Italian voyager Christopher Columbus's sailing venture ! Spain agreed to all of Columbus' requests, but kept seven-eighths of any returns from the first voyage and seven-eighths from subsequent ones. It was extremely risky considering no such voyage into the wilderness had ever been undertaken and Columbus could have died or been shipwrecked or his lost way in the wild seas. But can anyone ever calculate the return on that investment? The return was not just the Americas but hordes of Spanish colonies across the New World!

This is exactly the principle VC companies work on – being part of high risk now to share extraordinary profits later. It's simple. Start with ten ships. Even if two reach the desired destination, the return from those two would be several times the investment that went into all ten. Encouragingly, the concept of VC has emerged powerfully in India, especially over the last decade or more.

A large number of funds based in United States, Singapore and Europe have displayed significant interest in the Indian markets, and numerous VC institutions have been set up in the country. In fact, a peek down the investment lane would witness many start-up organizations that not only raised huge sums of money to fund new ventures, but also hit headlines doing that. In 2001, India was ranked as the third most active VC market in Asia-Pacific (excluding Japan). In the same year, venture funds invested $907.58 million in Indian companies. As per the IVCA report, in 2006, the total amount of private equity and venture funding reached $7.5 billion across 299 deals. Now in 2012, as per Ernst & Young, there are about 400 active VC funds operating in India!

Suddenly your chances seem brighter, don't they?

Let's look at some names we all probably know, but what we don't know is the VC story behind them. Flipkart.com, Snapdeal.com, Myntra.com, Quikr.com, Bestylish.com... are all wonderful companies that have been built with the support of VC. And don't mistake all VC-funded projects to be in the e-commerce or Internet realm. There are many exciting areas like healthcare, green tech, mobile and financial services that are attracting VC funding. Some examples would be Vserv and Kids Clinic, both of which raised capital as recently as August 2011.

Just as there are talented entrepreneurs and exciting business models at one end, there are fantastic VC funds at the other. I have friends at great VCs such as Helion Advisors, Canaan Partners and IDG. There are so many more out there, perhaps waiting to receive your call. Really, it really is that simple sometimes. What's even better is that there is a whole ocean of information and guidance on VCs across the Internet. You can get a list of VCs, their areas of specialization, the primary contact person and even a bit of handholding about the process. So the accessibility to these institutions is pretty high. All you need to do is to reach out in the right way.

There is nothing really that should stop you from making a full-blown effort towards pushing the blueprint of your business across as many VC tables as possible. Apart from the valuable learning you will gather from interacting with these stalwarts of entrepreneur-evaluation, there is a good possibility that you will end up impressing them with the viability of your idea and actually getting to partner them.

Remember also to keep track of two programmes that come on TV. One is called Young Turks and gets telecast on CNBC TV18 and the other is Starting Up, an ET Now presentation. Both programmes have been kind enough to feature yours truly in them more than once. I must state that both these exciting programmes are contributing superbly to the lives of aspiring entrepreneurs. They interview entrepreneurial success stories, trace the lives of winning entrepreneurs, get you up, close and personal with the best in the business and keep you abreast with the latest trends in the start-ups' world. Both programmes offer valuable insight into starting and building ventures and also organize mentor workshops, learning events and VC interaction forums.

Now a word of caution at this stage. VCs normally invest only in high-risk-high-innovation businesses (remember Columbus?). In other words, VCs may not be too keen to invest in entrepreneurs who want to set up restaurants or manufacture cables and carpets. A VC would invest $1 million into a business with a view to earn $20 million a few years later. And seemingly, only technology start-ups offer such exponential growth opportunities. But when I say 'technology' I cover innumerable possibilities in the areas of software, hardware, Internet, telecom, IT-enabled services, biotechnology, healthcare delivery, consulting, education and so much more. So it's a vast playing field.

VC funding might be tough to engage if you plan to start publishing a magazine. However, even for VCs exceptions always exist, and you can approach them if you can assure them of high ROIs. I know of a VC fund that invested in a chain of beauty stores only a couple of years ago.

You might be thinking, why do VC organizations invest precious money at all into start-ups, most of which are destined to fail? The answer is, because some of them don't fail. And the ones that reach the heights of commercial success pay back returns that not only offset the losses caused by failed investments, but also rake in enormous profits.

VCs function on a simple concept (which does not remain that simple when it comes to implementation): They carefully select business plans backed by good ideas, professional teams and driven entrepreneurs. Most VCs invest in a balanced portfolio of start-ups to minimize their risk by hedging their bets. So while VCs also have their own areas of specialization and investment goals, more often than not you would see them fund an e-commerce venture at one end of the band and a proven BPO facility at the other. This guards them against too much exposure to the risk factors of any one business area. It also gives them the opportunity to operate in a focussed yet wide spectrum of the industry that offers high-return prospects from more than one investment.

The VC methodology can be understood easily. VCs do not invest in companies with any intention to remain associated with them for a hundred years. Instead, they stress on relatively short-term investments with extraordinary return prospects, which is why VCs always work on structures that allow them smooth and early exit options. To put it very simply for better understanding, a VC fund would look at pumping in say $5 million for a 26% per cent stake in a start-up, wait for it to reach a $100 million valuation and then sell-off the 26% equity share for $26 million. This is why the timing and stage of investment becomes crucial for VC funds. Also do not let the millions being mentioned dishearten you if you have a smaller business plan. Some angel funds also invest as low as $200,000 at times, depending on the scale of funding requirements (Figure 4.1).

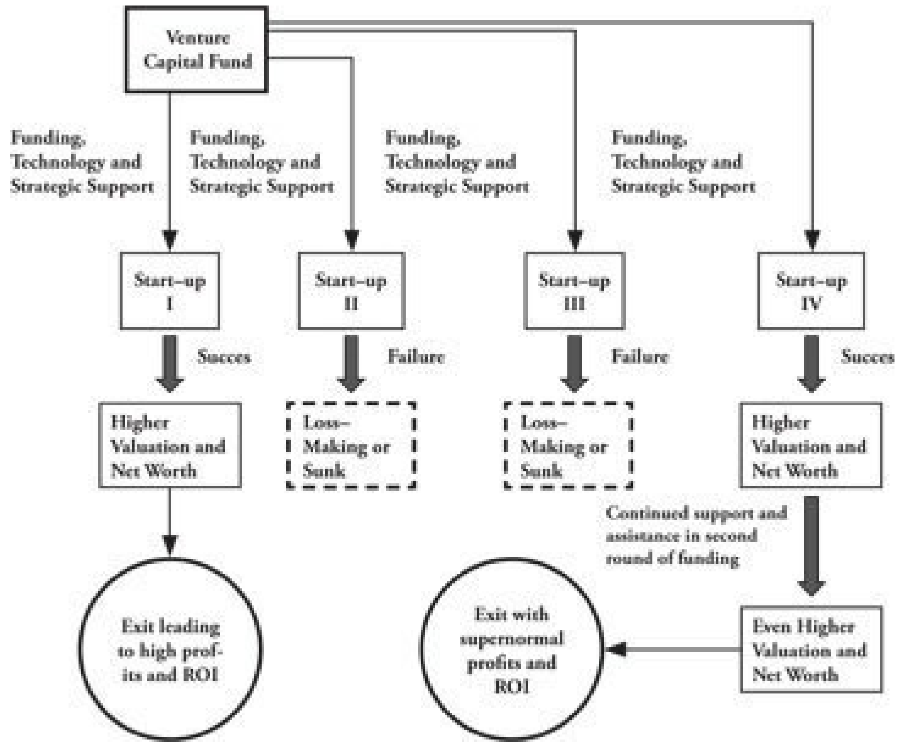

***Figure 4.1** The VC funding concept. The flowchart starts with VC support to four start-up companies. Two of the companies in this portfolio fail to take off despite the investment and lead to losses for the VC. One of the four emerges with higher net worth, which allows the VC fund to make an early strategic exit with high profits. In the fourth case, the start-up again comes on to a high-growth track, and here the VC stays on and helps the start-up in not only maintaining the growth but also in raising the second round of investment from other institutions. It is after that stage that the VC exits with extraordinary returns on the initial investment. Most importantly the returns offered by the sum of the circular boxes are radically higher than the losses caused by the dotted rectangular boxes.*

At this stage it becomes crucial to differentiate between 'passive' and 'active' investors.

Passive investors are those VC funds (or any other financial investors) that restrict their participation only to financial support. They inject requisite funds into the start-ups they select and play a wait-and-watch role. The start-up's management has to look after all other areas of the business, including sales and marketing, operations, finance and accounts, human resources, customer service, quality assurance and more. A lot of high-net-worth individual investors follow this model.

Most VCs like to be active investors who not only pump in money but also assist the new venture with their industry network, management guidance, technology and knowledge capital. In several instances, the VC insists on bringing in a new CEO or senior director who can complement the drive and energy of the start-up team with his or her vision and experience.

The 'non-money' role of the VC is a tremendous value addition for most new ventures. No doubt money forms the larger and more precious chunk of the support offered, but it may not ensure optimum use of itself. In today's market scenario, entrepreneurial leaps are being attempted by young (sometimes very young!) individuals. Although this fraternity beams with undying spirit and creativity, it sometimes lacks the business fundamentals and knowledge required to convert dreams into money-spinners. But active VC support changes that. I know of numerous start-up organizations that have jumped to altogether new and higher orbits of business with the help and support of seasoned VC teams. Domain expertise, which may take years to develop, is offered in tried-and-tested formats to the young companies by the VC funds. Networking is another critical contribution of these funding organizations. A lot of new companies get introduced to well-paying clients by these funds. New ventures that operate on a local scale suddenly reach international markets. Active VC plays a comprehensive support function. Business plans are whetted, money is pumped in, the management is trained to be more market-oriented, intellectual capital is passed on and high-quality clients are introduced to enable regular revenue streams. The assistance offered in raising the second round of funding is of course priceless.

I know we are discussing the VC zone in great detail, but it is by clear design. VC funding is the greatest game-changer for entrepreneurs and deserves this much attention and analysis.

So it comes as no surprise that VC institutions are swarming the place. Ventures are being funded and startups are being transformed into big enterprises. However, is it all really that simple? Once you step out to hunt for VC finance, you will discover it is not. In fact somebody who had been trying to raise money through the VC route beautifully described the scenario using the title of the famous Sting song *Heavy cloud no rain!*

What this probably denotes is that the number of VCs in the market and the numerous investments being made by them cannot be a true indicator of the difficulties involved in actually getting them to partner you. It is a straight question of demand and supply. No matter how good the 'supply' of VC is in the market, if the demand for investments is much higher, the struggle to get a share of the pie can prove to be a Herculean task. In fact during the peak of the tech markets boom, a venture fund would normally get over a hundred business plans and proposals every week. We can be quite sure that this number would not have gone below a score even now. So the quest is in winning the race among this heap of proposals.

I will now do a VC 'behavioural' analysis and try and suggest a few tricks and tactics to be able to draw maximum mileage out of your VC interfaces. However, it is absolutely imperative for you to understand that these techniques can at best be an icing on the cake – the high-revenue-potential-business-concept cake. If you are not a good footballer, no amount of world-class sports gear can make you strike that match-winning goal. So treat these suggestions as pure value-additions that will make your business idea look and sound good at the skin-deep level. Eventually it will be the strength of the business model that will see you through.

Take a look at the points that follow to get an insight into some dos and don'ts in your VC hunt. Some general principles may not work in every situation, but most can to be very handy during gruelling meetings with seasoned investors. Most of the points that follow have been covered in some form or the other in the previous chapter and have been mentioned here to offer you a simple and easy-to-use checklist. Lastly, these points are being written assuming that you have followed the steps suggested in the previous chapter and have conducted your due diligence and research well.

1. Be focussed while short-listing the VCs you would like to pitch to. The country is brimming with hundreds of VC firms and you cannot possibly hope to reach out to each one of them. Also, VC firms sometimes have specialties that drive their business model. Some of them may invest only in biotechnology companies while the others may do it in tech or healthcare startups. So if you are launching a software company, aim to approach VCs that have a track record of investing in technology ventures. Meeting an investor from an

organization that invests only in biotechnology projects may prove to be a wasted effort.

2. Don't ever ignore the business plan. It is your ticket to success in your fund-raising exercise. I have already discussed the advantages of writing a plan paper in previous chapters. Discipline yourself to prepare that report before you do anything else, and you will feel the benefits as soon as you enter the VC track.

3. Remember the elevator pitch? Even at the cost of repetition, I feel compelled to remind you about it. It will be the most effective tool in getting you across tables with VC companies. Again, the crucial role of this pitch has been discussed earlier and you will grasp its importance right in your first telephonic conversation with an investor.

4. Try and read a small book on issues such as valuations, acquisitions and sweat equity. Although this will not provide you with too much armour against the bankers and VCs who mostly live off this knowledge, it will ensure that you do not look clueless when such topics are discussed.

5. If you have been operating a small outfit as a proof of concept before you went out hunting for consolidation/expansion investment, make sure you have your figures and audits in place. VCs are usually very numerically inclined, so be ready with them.

6. It is always good to have a list of potential/short-listed team members ready with you. If you know well-qualified professionals who you plan to rope in for your venture, have the names and credentials in place. There is very little you can achieve alone, and VCs are aware of that.

7. It might be a good idea to try and get some PR activity in place. A few clippings in the press praising your initiative would not fool any investor. However, it always presents your venture as something that is already on the roll and is getting noticed. It's a small psychological advantage, but every tiny support mechanism assumes great importance in these situations. Any professional PR company or consultant would be able to help you in this regard. And normally this would not cost a bomb.

8. Do not ever let the VC representatives feel that you are there to beg

> them for money. Go with the attitude of a businessperson carrying a value proposition. A venture fund would never give you money just because you were humble, sweet and meek in the meeting. You have to keep in mind that the VC will also eventually make money on the venture and maybe they need you just as much as you need them. In all politeness, you may confess that you are also looking at other funds. Remember, you are looking for partners, not largesse.

The disadvantages of working with a professional investment fund are hardly worth mentioning. Apart from shared ownership of the company, the only drawback (which is sometimes quite substantial) is the loss of complete management control. The VC would be a member on your board and you would have to function a lot more democratically. However, I personally do not consider this a disadvantage since the presence of the VC on your board will make you function more systematically and introduce accountability even for you. This is a good addition in the long run. In all other ways, this arrangement is a bagful of big and serious advantages for you. Technology and operational know-how, global alliances, industry best practices, mentors — VCs bring in everything. Moreover, even getting business becomes much easier when you have a big fund's name attached to yours. A multinational corporation might not place an order with you when you approach them independently as a tiny outfit. On the other hand, it would probably not hesitate to do business with you if you tell them that you are a Sequoia Capital–backed company.

The VC hunt is bound to be an uphill ride for most of you. However, you must give it your best shot, especially if you are planning an innovative venture. Even if you fail to raise money, this effort is bound to teach you a lot of crucial lessons. It will give you a realistic impression of your plan and will make you a better professional and a more committed entrepreneur.

High-Net-worth Individuals – Your Best Bet!

OK, now it's time you went and met that rich uncle who drove a Mercedes but you could never really figure out what he actually did to make those riches. For those of you who are slightly unclear about the exact meaning of the term HNI, let me describe the set of people who fall under this category. High-net-worth individuals (HNIs) are people with large volumes of money they either inherited or earned over their own career spans (loosely defined as people with above $ 1 million or I5 crore in assets excluding primary residence). These are the people who have the investible surplus or capability of offering start-up finance to small or mid-sized entrepreneurial ventures. Or to put it in even simpler words, these are guys loaded with money — money that they can do a calculative gamble with. And money that can be the most precious contribution to your business!

About a few years ago I read an article on the front page of the Sunday magazine of a leading daily, which addressed HNIs. That article beautifully described how a dearth in the availability of high-return investment options for the rich (who have basically invested in every conceivable option ranging from real estate to art already) could be overcome by well-planned and evaluated investments into start-up ventures. And why not? I have witnessed more than a score of companies that have shown consistent yearly growth rates above 100% in their first five years of operations. In a scenario where conservative channels of investments refuse to yield anything higher than a measly 6–9%, new ventures with high- growth prospects offer a fresh, exciting and fulfilling avenue of making money earn more money! And trust me I connected completely with the article. This was because during the course of my own corporate career, I have come across numerous such affluent individuals who invested in start-ups, and I have come to respect their enterprise and foresight a lot. They are willing to go the extra and the enterprising mile to build on their existing wealth.

To further understand the entire dynamics of HNI investments, let's take the question and answer format. The following are a set of questions that will come very close to your own thinking process and the answers aim to clarify many of those doubts.

Q. Why would any HNI invest in my business? Most of the HNIs themselves would be businesspeople. So why won't they just pump more money into their own companies?

A. All businesses need a certain amount of money at any particular stage. For most HNIs, their existing businesses already have the money required for expansion or diversification plans. The money that you want from them is over and above their corporate and personal requirements. Don't worry about their businesses and how much money they have. The depth of some HNIs' pockets is really beyond your imaginative horizon. Just know that they have the money and gun for it. In today's competitive and unpredictable business world, everyone wants to hedge bets. Stock-holding in new and promising ventures offers such security of portfolio to these rich men and women.

Q. Why do HNIs invest in risky start-ups at all? Why don't they just invest in traditional securities, however low-yielding they may be?

A. I know it is sometimes difficult for a lot of people from the middle-class, including myself till sometime back when I was not exposed to many HNIs, to understand what it is like to have so much money where you have almost exhausted all avenues of investment, to a logical level. You have bought houses, farmlands, works of art, cars, government bonds, corporate securities, stock, gold... and you still have a lot of money left (and with all due respect to the law of the land, a lot of these folks have bagsful of cash that they haven't really written down on their income statements)! So you either lend money to finance films or invest in potential ventures. Also, I would suggest a small psychoanalytical view that I unknowingly bumped into.

Making truckloads of money does not guarantee corporate respect. And the latter is what a lot of HNIs are looking for! I once met a gentleman who was one of the biggest cinnamon traders in India. He had all the money in the world, but he openly admitted to me over dinner that he longed for fame and recognition. This is a feeling shared by a lot of rich and established people who have devoted their lives to their work but are still waiting to figure in the Economic Times or address high-level business conferences. And all of them have seen whiz kids hitting headlines with their companies. The need for self-esteem is steep in a lot of moneyed businesspeople, and they see investing in 'corporate' start-ups as a powerful vent. I know this may sound like a shallow reason, but you will realize its strength when you interact deeply with these rich, capable yet sometimes unnoticed people.

Q. Is investment from HNIs a loan or is it equity participation?

A. It can be both, based on your need and the form and modalities of investment the investor is looking for. Normally, it is quite easy to raise money in the form of a loan because many people with excess cash would be willing to invest in you as long as they are confident that you will return it to them on time and at the decided interest rate. So you don't really have to do a lot of convincing on how good and potential your business venture is. You just need to instill in them the faith factor, either through common friends, relatives or business associates. A large number of businesses thrive on this form of financing, small-time real-estate and industrial trading being two of them. However, as suggested in the previous section, it may not be a very safe bet for you as a young and inexperienced entrepreneur to get money via this route. Just like bank loans, this model will also burden you with repayment obligations right from day one and become a cause for high stress. So try and sell the idea of equity participation to HNIs and make them partners in sharing risks and profits. We will discuss more on this topic in the next section.

Q. What should I expect from HNIs, and what do they expect from my venture if they make an equity-based investment?

A. It is important for you to remember that HNIs are not only rich but also extremely well-networked. In my own case, the partnership between our investors and us not only brought in high sums of money in the form of equity investment but also drew in a spate of new orders and assignments from the existing market presence of our investors. So make sure that your investors pump in not just money but the years of experience and contacts that they have nurtured through their careers in the corporate and business world. This aspect also justifies why you should target equity participation and make the investors feel like a part of your company's growth. When they are convinced that your venture's success is in sync with their own monetary and social growth, the overall support and attitude of the investors goes through a sea change.

Let's now take a look at your responsibilities towards your shareholders (or equity investors). The foremost rule of building a corporation is to ensure highest possible shareholder value. You must emboss this clearly in your business vision that the people who helped you during your early days in business are the people you owe a lot to. You need to be genuinely concerned and committed towards growth in the stock value of your investors and deliver the promise you made to them while pitching in for funding. If you have told an investor who injected a $100,000 into your business that he would be able to sell his shares for $1 million ten years later, then work like a machine to achieve that for your investor. Your success will come by as a natural by-product of your shareholders' growth. Secondly, please do not go the boo.com way. Be very prudent in spending the investors' money. The best approach would be to spend it as if you had sold your wife's jewellery to get this cash. Bite every hundred dollars and make them count. Finally, be extremely ethical and honest in your accounts and legalities and ensure that all profits are distributed and decisions are taken collectively.

Q. How do I approach HNIs?

A. There is obviously no hard-and-fast approach that you can use to reach out to prospective investors. Nor can you take the age-old 'cold calling' path. The best and most useful option is to try and remember every rich person you and your family ever knew. Your father's friend, that distant cousin, that relative in New York, rich and friendly neighbours, your tennis partner, acquaintances and associates – all of them can be potential business partners and investors. But first you need to make sure that you have shed all inhibitions in asking for favours! I know how difficult it can be to just call up an uncle you haven't met in ages and tell him you want to talk business. What will he think? What will he say? Before you get into this spiral, let me inform you about something interesting regarding these rich and established people. Almost all of them are very sharp businesspeople who are open and willing to explore new business ideas and enterprising enough to recognize a good deal when it comes by. So if a rich relative has been treating you like a young boy or girl so far, don't think that will happen again when you propose a serious business venture. Most likely you will witness a dramatic change in their way of communicating with you and end up appreciating their commercial and financial acumen.

Most seasoned businesspeople have been in need for money sometime or the other in their lives. As a result they respect and understand the situation you are in and would probably encourage you wholeheartedly even if they do not find your business suitable to their investment needs. So be fearless and upfront and barge into as many HNIs you can possibly approach. Let the world around you know that you intend to make your fortunes out of an entrepreneurial dream. Remember, even a little baby gets milk only when he/ she cries out aloud!

Q. What is the preparation I need to do before I seriously commence discussions with prospective investors?

A. There is a fundamental difference in the approach you need to take when pitching to a VC fund and when you do the same with a HNI. This distinction arises simply out of the varying evaluation parameters and investment objectives. A VC fund would insist on your professional background. A HNI might just invest in you for the entrepreneurial spark you display. VC companies and investment banks undertake elaborate due diligence while evaluating your business plan. They would study statistics, market share figures, projections and trends. Most HNIs I have met refuse to even take a look at these models and spreadsheets. They rely more on their gut feel, experience and business foresight.

VC firms have planned investment portfolio decisions that they rarely digress from. HNIs have no such models in place; they invest as and when they come across a profitable proposition. Most importantly, a majority of the VC funds plays the role of active investors. HNIs are normally passive players who invest in your company and leave the management and operational issues to you. To put things in a nutshell, with HNIs you may not have to prepare those many tables and diagrams, but you do have to be ready with answers to some practical and tough questions. Questions that stem from business minds that have implemented several such plans, have seen ups and downs in business and have felt the heat more closely than you can imagine. They may not have read all the management books in the world, but are the true gurus of the art of generating profits.

I hope that the Q&A session that I have provided has addressed most of your questions related to private equity for start-ups. Some more words of advice. From my experience in my business and the start-up consulting assignments that I have undertaken, I can vouch that HNIs around you can be the best resource pool for your venture if your financing needs fall within the million-dollar ceiling. Anything above that takes the deal volume higher and beyond the comfortable investment zone of most HNIs. And if that's so, you come right back to planning that big VC meeting.

As final preparation for the investment pitch with any HNI, make sure that you have a simply written, jargon-free executive summary of your business plan. If the gentleman (or lady) you are approaching does not have the technical expertise to appreciate your business operations, it is futile going into the nitty-gritties of the implementation construct. Concentrate on simpler (?) issues of revenue streams, business volumes, costs and the strengths and weaknesses of the plan. Unlike your plan document for the VCs, the one for your benefactor should have none of the fancy flourish. Instead the document, written out in layman's language, should seem realistic, straightforward, crisp and energetic. Note the fact that in the absence of domain expertise and research information, the HNI is most likely to invest in you as a prospect and not your business. In case you have already put in some of your own hard-earned money into the company or you intend to do that soon, make sure to emphasize on this. The investor would feel much more secure and find his/her money in serious and committed hands.

Finally, just like you would when asking for VC funding, be sure to state clear and present earning and exit options for the investor. The exit options could be in the form of profit sharing, directors' salaries, dividend income or offloading of equity, whichever seems most logical with the business model under consideration. Do not mislead the investor on any front. If you feel you will be able to offer your benefactor any return on investment only after five years (anything more than that would most likely be unacceptable to individual investors), make it clear at the outset. One of the most important ingredients of corporate growth is harmonious investor relations, a strong foundation for which should be built right from the first day of association.

Advantages of HNI Investment

1. This is clearly the most accessible form of sourcing funds for your start-up venture. Also, the number of HNIs you can hope to approach is much higher than any other alternative such banks or VC organizations.
2. This is a low-complexity investment option. As against bank loans or VC, the amount of paperwork, legalities and time frame involved are comparatively negligible. Since you are dealing with an individual and not an institution, the decision-making and the process are much swifter.
3. If you are looking for freedom of management and operations, HNIs are perhaps the least interfering. They would rarely interfere with the

day-to-day workings in your start-up and at worst would ask you for a copy of your balance sheet at the end of the year.

Disadvantages of HNI Investment

1. A serious drawback of HNI investments is that they do not offer you the brand-association strength that most established funds and banks do. For example, your organization would be viewed as much more professional and cutting-edge if you have bagged investment from ICICI or Sequoia. On the other hand, a city-based marble trader may provide you with all the money you need, but can never compete with the established financial institutions when it comes to brand value.
2. Putting it crudely, private placement with one individual leaves you vulnerable to the whims and fancies of that person. I do not mean to say that these individuals are in any way less professional or competent than their institutional counterparts. However, each one of us would agree that there is a serious difference between dealing with an established organization that has policies, procedures and standards and an individual sans these.

The Role of Investment Banks

We will only do with your money what we would do with our own.
— Warren Buffet

Ever wondered what magnificent names like JM Morgan Stanley, DSP Merrill Lynch, Kotak Mahindra and Goldman Sachs actually do? They are called the 'dealmakers' of the corporate sector. Apart from areas of corporate finance, mergers and acquisitions and equities side of the business, these accomplished banks also offer services including assistance in fund-raising, IPOs and forging strategic alliances. To put it very simply, they form the critical bridge between two organizations or parties intending to do business together (e.g. an entrepreneur and an investor).

Investment bankers usually offer a one-stop-shop for legal and corporate consulting, financial management, investor search road-shows and global alliances. Often referred to as the 'sharks' or 'hawks', to perhaps offer a metaphor for their diligent and result-oriented approach, these bankers represent a personification of core business knowledge, hard research, dedicated client support, sharp communication abilities and tremendous prowess with spreadsheets. My experience with bankers has taught me that it is always better to have them on your side than have to them against you.

So how can your venture draw mileage out of the presence of these organizations? Frankly not much if you are hoping to get on your side the kind of big names I just mentioned. Organizations like those and others like HSBC, Deutsche Bank and Citibank normally handle deals with much higher transaction sizes than you are probably planning to start with. I can advise that in normal circumstances even a $10 million plan may not be too exciting for any of these big shops. However, there are plenty of smaller, yet equally professional outfits that may suit your venture size. My own company has worked with two of such institutions on a deal and we have thoroughly profited through the association.

You can approach investment banks directly and discuss your business plan with them. It may be an uphill task to get them interested in you venture since most banks would be keener to help you with the second round of funding and private placement than when you are just starting out. However, you need not be disheartened and should try anyway. Banks also need a regular 'deal flow' to stay in business, and you may catch them with an attractive proposition where the bank sees value.

Investment banks work on either a 'mandate fee' or a 'success fee', or a combination of both. If you are a first-generation entrepreneur with just a few thousand (or hundred!) dollars in your pocket, you can most likely forget about the first option. A mandate fee simply means that although the bank will assist you with all its resources and intent, it does not guarantee you success and will charge you for the consulting and assistance provided. Not out of choice but compulsion, the success-fee model is a more suitable option. Here success would mean achievement of predefined fund-raising or alliance goals. In this case you will pay the bank for its services only once you are able to raise resources for your venture. A lot of small or mid-sized investment banks would be able to offer you such an arrangement. In a worse scenario you could try and work out a combination of a small mandate-fee and a much larger success-fee chunk. This will not only help the bank cover some of its costs incurred on your deal but also prove your seriousness about the whole exercise.

The biggest advantage of working with an investment bank is that once you have convinced them and they begin work on your venture, you can rest assured about the professionalism, width of investor outreach, truly value-adding alliances, strategic consulting and overall industry penetration. Moreover, sometimes your credibility takes a quantum jump when you approach a prospective investor backed by an investment bank. Your passion and confidence, boundless energy and feel for your start-up, clubbed with the razor-sharp pitch of your bankers would be powerful enough to impress any investor, as long as all this is underpinned with a solid business model.

By this time, if you are seeing a starry and hope-laden picture of working with investment banks, just hold your horses a wee bit. I admit it is starry, but that is only if you get to partner a bank. You might face some difficulty in convincing a bank to take up your case, especially if you cannot pay them any mandate-fee and the bank can begin earning only upon successful implementation of the fund-raising plan. What you do need to remember while negotiating with investment banks is that although the evaluation parameters of your business model will be the same, there is a glaring difference between the way you pitch to a venture fund and when you sign-up with an investment bank. With banks it's a service provider-client relationship, however small the volume. Keeping this in mind and the fact that smaller banks are equally eager to get deals working, you really don't need to be in a sales-pitch gear when working out an arrangement. If you approach these banks with a serious value proposition and a plan that not only gives them a fair chance to earn money but also add to their portfolio of reputed deals, your chances of cracking an association will increase manifold.

Be confident, sure and professional about your venture and follow most of the rules mentioned for VC interviews. The rest should be much easier.

There are numerous websites that can guide you to the right investment bank should you need to zero in on the organizations that can help you. A little advice even at the cost of repetition: Don't spend too much time trying to get one of the top investment banks on your side. They will almost certainly not be interested, but your attempt to reach them and convince them will just eat into a lot of your precious time. Aim for smaller shops that have dealt in your domain previously and whose mandate fee does not require you to sell off your house and car.

Recalling all that has been discussed thus far, keep in your view running a $100 million world-class organization. And when you've hit that mark, you won't have to look for investment bankers any more. They will look for you.

Proof of Concept for Investor Confidence

The most effective way to do it, is to do it.
— Amelia Earhart

Leaving aside whatever has been discussed in the previous sections, let's walk through a quick, pragmatic view of this entire investment-raising maze. Put yourself in an investor's shoe and think carefully. How would you finally select the ventures you want to fund? What would it really take for you to nail the decision? Would it just be a smart and flashy young man in a crisp suit with a well-written business plan, a good MBA degree and a twang in his accent? I don't think so. And most real investors don't think so either. So what is it that will truly instill confidence into a prospective investor? What is it that will offer tangible proof of your projections and revenue model? The answers lie in what software professionals call a working prototype.

A VC representative once wrote me an interesting e-mail. It had a simple suggestion: Turn your two-member organization to a twenty-member one on your own, and then we will help you become a two hundred-member company. The message was very clear. The investors wanted me to take the slow, tough road to entrepreneurial growth and then look for force-multipliers to steep up that curve. And that seems to be quite a fair expectation. It becomes much easier to look for investors once you have built up an organization, however small, and are doing profitable business, however low in volume.

I will give you an example. Suppose you wish to launch a training and education venture in the area of fashion designing. You intend to follow the franchise network model of business and plan to open at least two to three centres each in all the big cities and towns of India. You intend to keep the course-planning, brand management and quality-control centralized. The edge that you offer in your new course is the advanced textile and fabric marketing clubbed with design training. You have also conducted a thorough research on the scope of growth, industry trends, competitor matrix and market analysis, and all of it points towards an untapped opportunity. And now you need investment to realize this ambitious plan. The volume of seed investment you are gunning for touches almost $5 million, which you need over the first two years of operations. However, most of the investment you are looking for is for ad spends and promotions, which together form the deadliest rapid cash-burning combo. Besides, no matter how powerful your plan looks on paper, there is really no guarantee it will succeed. Such big volumes of money in the start-up stage, half of it for advertising and no existing infrastructure or organization to support it — it really has to be one hell of an optimistic investor to give you the money!

On the other hand, taking the same example, let's focus on the prototype we discussed earlier. Now consider a case where you have approached the same investor with the same business plan, but only after you have successfully test-fired it on one unit. In other words, you have launched one centre (perhaps two), implemented all your models on it and are in a revenue inflow mode, if not making profits already. You have built up reasonable infrastructure, finalized on your training pedagogy, material and manuals, recruited initial faculty, conducted local promotions and finally converted prospective students to a full-fledged running batch. You have learnt the fundamentals of managing an educational institution, along with the skills and tactics to sell it. Also, if you have been able to forge alliances with strategic partners (for student placement, global exchange programmes, foreign certifications or R&D), then all that will add more teeth to your venture. Securing all areas will go a long way in proving the commercial feasibility of your model besides providing a good reference point for analyzing the scalability of the same. Most importantly, it will prove your professional ability as an individual who is able to conceptualize, launch and run an organization with minimal resources. It will prove your entrepreneurial mettle.

Now imagine having achieved so much when you approach the investor. Not only will you find yourself taken seriously and considered investment worthy by the investor, you will also notice a sudden jump in your own confidence and conviction about the business model. You will now be looking to propel your existing business and not angel funds to help you stand up. This will reflect in every word you say and investors are way too sharp to miss it.

Once your prototype is studied and assessed by the prospective investor, it is bound to generate higher response levels. At this stage, the investors feel they are negotiating with an organization and not just with a dreamy individual. Your accounts and balance sheets will offer first-hand insight into the financials of your venture, which will assist in projecting future costs and revenues. In fact, it is the same old seeing-is-believing principle that works here too. This holds true for both institutional and individual investors since the basic parameters and psyche behind an investment decision do not vary too much. So the lesson is simple. Try and build an organization on a shoestring budget and commence beginner-level operations with a view to break even and gather market learning. Don't lose heart if you are unable to achieve the scale that you had initially planned. Treat this entire exercise as a crucial part of your build-up stage and something that will provide you with the critical intellectual capital needed to give shape to your ultimate plan. Don't worry if you are not in the profit zone already. Remember, even Amazon and Google took a long time to clock their first penny of profit.

You might be thinking that while all that has been discussed makes sense, where does one find even the little money required to launch that small outfit initially? The obvious answer is that you use your own money. With this, we arrive at the painful aspect of putting in your own hard-earned savings into the unpredictable and sometimes risky proposition of business. How much money can you pump into your enterprise to start with? How long can you keep doing it? Where do you arrange it from? These are some of the questions the next section attempts to explore.

Self-Financing

If the wind will not serve, take to the oars (Destitutes ventis, remos adhibe).

— Latin Proverb

I have come across very few business people who have not had to risk some or all of their personal money even once during their entire business lives. At some stage or the other, even the most established enterprise leaders have had to grope into their own pockets for bailing their companies out during a financial crunch. And the scary part is that some of them even lose it all! What differentiates smart entrepreneurs from the failed or mediocre ones is the ability to recognize the fine balance between personal financial security and risk appetite during start-up self-investment. And this also has to come with a clear understanding of when the right moment is to inject the money, and when it should be taken out. Why, even Henry Ford went bankrupt at the age of 45, only to bounce back and give this world the revolutionary assembly line and the Ford story.

Let's now define what we exactly mean by self-financing. Self-financing refers to the money that you personally arrange for your start-up enterprise. This could be your own savings made over your previous career span, funds borrowed from parents, relatives and friends, finance organized through liquidating property or real estate and some people go all the way up to including their wives' jewellery under this category (which is most certainly not advisable under any circumstance!). Most businesses in this world probably began with the help of the few coins an entrepreneur brought to the table. Some entrepreneurs began this way and later sought financial support and some carried on with their own organic revenue accruals.

We must together shatter a myth that leads to most entrepreneurial ideas being given up right in the cradle. This myth is that launching a business venture takes a lot of money, irrespective of the industry domain it intends to operate in. As you may know by now, the Indian software mammoth HCL started in a small rooftop shack in New Delhi. Today it is one of the most powerful and respected information technology companies of India. One of the largest placement services companies in Mumbai began its operations from a small room and a telephone line ten years ago. Subrata Roy of the great Sahara India Pariwar himself launched para-banking venture on a very humble note. Today he has built what is called 'India's wealthiest family'. Jeff Bezos of Amazon once delivered books door-to-door in his own car and today is one of the most well-known entrepreneurs worldwide.

So the point is that although some businesses certainly are capital intensive, most others are not. For example, if you wish to launch a human resources' placement services company, the infrastructure can very conveniently be restricted to a small room taken on rent, a couple of telephone lines, a computer, a table and a few chairs. You could perhaps add to it a small marketing-and-promotions budget. So while your marketing campaign with brochures, mailers and stationary would not exceed a few hundred dollars, all the other heads taken together would probably cost you another ten thousand. In all you, would need to cough up a couple of thousand dollars (or nearly a lac of Indian rupees) to get your business going. In today's times, this amount is not very unreasonable or scary. And if you are a smart individual with some business acumen, you will earn this money back within three months.

You would do well to study the following guidelines before you decide to fund your own venture:

1. Don't liquidate key assets unless available in surplus. Don't sell your only house, your only car and your wife's jewellery. Business is not about rushing into risk. It's about calculating it and cautiously planning for it.
2. However embarrassed you may feel, do not shy away from borrowing money from your father (if he can afford it) or close relatives. As long as you honestly intend to repay them, there can be no other worthier cause to borrow for.
3. Plan for both capital expenses (one-time set-up expenses) and working capital (the money you need on a daily or monthly basis). I have witnessed many entrepreneurs who invest all or most of their available money in the first three months and then suffer from serious funds shortage in the subsequent months. Remember, all businesses experience gestation periods — the lag time between investing and the first penny of revenue. So make sure you keep away enough funds to see you through your foreseeable gestation period, whether it is one week or one year.
4. Spend money on high-utility items before any luxury expenses. Make sure you print your business cards before you buy that painting for

your office.

5. If you plan to use your own savings for the venture, that would be the most ideal form of self-financing. However, try not to pour in all your savings at one go. Businesses are uncertain for at least the initial phase and you need to retain some money for the rainy day.

By now I hope I have been able to address most of the issues that arise when an entrepreneur is looking out for that fillip to get going. I must mention though that none of the suggestions are cast in stone or even has applicability across the board. These are pointers that will surely go a long way in helping you decide, but I don't claim complete accuracy in the evaluations made while discussing financing options.

At the end of this section, I want to reemphasize that don't let financial hurdles play a bigger role than they actually are. Most committed entrepreneurs I have met were able to raise money for their dream venture one-way or the other. And so will you! All you need is a keyboard, some sheets of paper, a will that burns like fire, some mid-night oil to burn and eyes full of dreams. After all, we just need to remember what Socrates once said, "When you want success as badly as you wanted the air (to breathe), then you will get it."

Throughout the centuries there were men who took first steps, down new roads, armed with nothing but their own vision.
— Ayn Rand

CHAPTER 5

Starting Your Start-Up — Preparing for the battle

The way to get started is to quit talking and begin doing.
— Walt Disney

The stage is set. You have finalized your business plan, conducted the required research, have a grip on the competitive scenario, have incorporated a private limited company and have the investment to get started. However, you are still all alone and you possibly cannot hope to single-handedly launch and run your start-up company. You now need to build an organization around you and your business plan. Even if your business model is primarily based on your own professional skillset (e.g. consultancy), you would still need to set up the basic infrastructure, office or manufacturing space, equipment, stationary, your website and most of all, bring on board the people! What does an infantry platoon do before they fire the first shell towards the enemy? They polish their gun barrels, gather ammunition dumps, dig trenches and use camouflage. The situation for you and your leap into the fiery competitive arena demands similar preparation. This chapter discusses the fundamentals of bringing together a small- or medium-sized organization and the steps you need to follow to be able to do that in the smartest, quickest and most cost-effective way.

Let's start with the first and by far the foremost resource of an organization– its people.

Recruiting People – The Deciding Factor

Coming together is a beginning; keeping together is progress; working together is success.
– Henry Ford

I have no doubt in my mind when I mention this again and again that an organization is not made successful by any brand, any amount of money or any innovation. It is made successful only as an outcome of the quality and effort of its people. It is people who innovate. Innovations lead to superior products. Superior products lead to profits. Profits lead to marketing spends and brand building. Finally, good brands attract better people, and the cycle goes on (Figure 5.1). But this cycle always has to begin with the people.

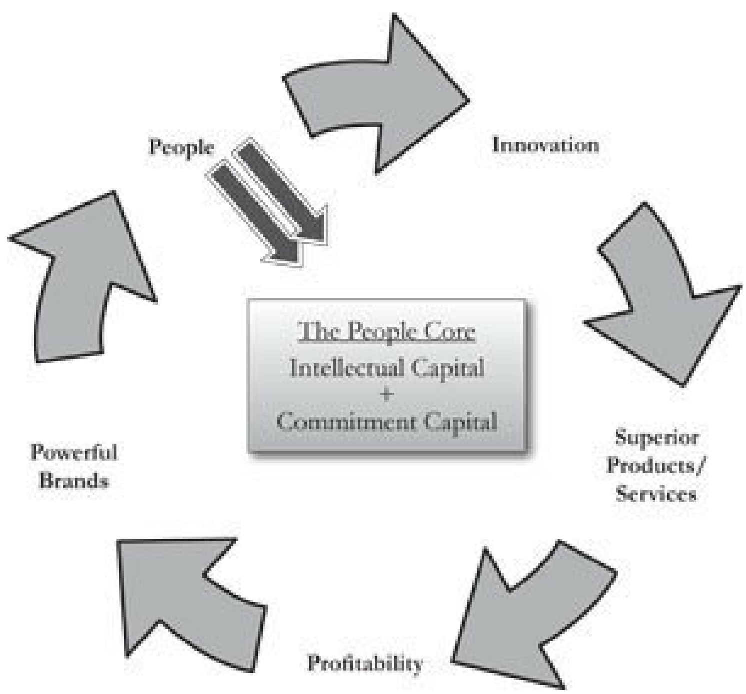

Figure 5.1 *The people → innovation → superior products → profitability →powerful brand cycle. The diagram depicts the organization-building foundation laid by the initial few people and the critical role human resource plays in the functioning of a company.*

Although the human resource of an organization always plays a critical role in the functioning of a company irrespective of its size and level of establishment, the responsibility assumes astronomical proportions during the start-up stage. It is the set of people who begin work with an organization during its formative years that leave behind footprints of excellence, commitment and 'intrapreneurship', to be followed by the people who join in later. The first few employees or team members of a young company not only form the second line of management of the organization in the years to come but also form the fountainhead of a work culture, collective goals and ethics within and outside the company. They are the face of the company for the newly acquired clients, the team that faces maximum resource crunch, work out of the barest infrastructure, play both the roles of managers and workers, train every new entrant of the team, deeply understand the strengths and weaknesses of the company and share a special bond with the promoters of the venture.

In short, the first few people you recruit can make or break your dream company. Remember, a company can never survive forever on investments. Companies grow through profit lines that are built on sustained intellectual and commitment capital of their people.

So how do you choose these people? More importantly, how do these people choose you?

There are several challenges. You will obviously not be able to pay them even close to industry standards. Nor would you have a big brand to attract people just so they can boost their résumé value. And you will probably club it all with near inhuman working conditions. Overall, it will be a big mountain for you to cross. So is there really no way of gathering a few good men? Is monetary compensation the only incentive that can be offered? Or is there something else that may make up for the low wages? Trust me there is. If you can't offer them money or brand value, offer them some honest dreams. You will be amazed to see how many dreamers like yourself exist in this world.

Offer dreams to hard-bred professionals? Sounds more like a Hollywood story punch line, right? Think again. If this was not true, no start-up company would have ever been able to recruit talented individuals, and entrepreneurial stories would not have painted the whole of Silicon Valley red. Have you ever thought about what ESOPs or employee stock options are? Many small, medium and large IT companies offer ESOPs to its employees as rewards and incentives. The reason is that the management of these companies wants to make these people partners in success and failure. These stock options are normally never too high priced at the time they are offered. They only carry a promise – a collective dream.

Understanding Different Needs of Different People

I would rather be first in a village than second in Rome.
— Julius Caesar

I sometimes wish all of us entrepreneurs had done a course on human psychology back in school. But now that most of us haven't, we can at least try and get an insight into the way different kinds of people plan career maps and what drives whom. Every individual has a different and unique set of aspirations, and you need to look out for those who aim to get what you can offer –both short and long term. I have interviewed over five hundred people during my comparatively short career span. With the little experience that I have been able to gather doing that, I can safely divide people into two categories based purely on their suitability for start-up companies : the safe sitters and the dream drivers.

The *safe sitters* are those who come with an "I am looking for a safe job with a safe company" approach. The *dream drivers* are those who believe in the "I am here for a high-return, long-term career" perspective. You need to hunt for the dream drivers. Understand this, every individual has a goal to achieve in his or her lifetime. Obviously, some people are more ambitious than the others. What you carefully need to look for are people willing to take a few calculated risks now with a view to achieve extraordinary growth later. So you need to find people who will share your vision, and chase your collective dream together as brothers-in-arms.

I will give you an example of a real-life case from my company. When we started out, we recruited two bright young people for business development. Both were hardworking, talented and well educated. However, their temperaments and career plans differed diametrically. One of them made it clear in his actions and words that he was in the company to see it through the difficult times and reap the benefits years later. The other just wanted a regular job. A time came when business became tough and the going was bumpy. The second man quit immediately and joined an established real estate company as a sales executive. The first stuck on and worked as a committed team member even during months when salaries were delayed. Today, he is a vice president in one of our companies with fifty professionals reporting to him. He earns a lot of money, lives in a posh air-conditioned apartment and drives a shining long car. The second individual is still struggling at sales and has seen little growth in the several real estate companies he has visited in the last few years.

The point is straight. Look for people who are willing to face the trade-off between high job security and meteoric growth. There are numerous such people around, and you only need to identify them.

Here are some secrets to being a successful start-up employer. These tactics promise to work in some cases and fall flat in the others. The ratio of success would depend on the kind of people you are aiming to bring on board. The 'offering dreams' concept works here also. The points that follow will hopefully explain it well.

1. Identify the exact qualification or experience that you are looking for. Conduct some basic research on the industry standards of compensation for these credentials. If you belong to the same industry, you will probably have an idea already.
2. Get your working capital calculation in place and apportion the amount you can for wage bills. Make sure you spend more on salaries of your people than anything else because they are the bloodstream of your company. This holds true not only for the services sector but also manufacturing and primary economic activities.
3. Before you advertise in employment magazines (if you have the money) or get in touch with any placement consultants, look hard

around yourself. You are bound to locate talent floating all around. Your best friend, that bright junior from B-school, a cousin, an ex-colleague, the neighbour who solved your computer problem, the salesman who sold you your car... just anyone who shows professional ability and promise. The advantages in this case will be clear. Firstly, you would have known these people outside the interview room and that would help you judge the 'real' them better. Secondly, you would be on a better communication platform with these people, and that would give you a better opportunity to convey your business vision. Thirdly, any bond apart from pure professional relationship would assist in offering longevity to this association. Finally, you will save money on employment magazines and placement consultants.

4. Always interview prospects in your own premises, even if you are operating out of a dingy cable- manufacturing shed in an industrial area. There should be no gap in the perception of your company and the real picture. A newly funded mobile apps company once went for campus recruitment to an established management institute. Three candidates were selected on campus with joining dates for the next month. All three joined a few days later and were shocked to see a two-bedroom house converted into an office space! All three resigned the same day. The flaw was not in the company. The flaw was in the perception that they had created during their pre-placement lectures at the institute. Similarly, a lot of entrepreneurs try and hold interactions with potential candidates at flashy hotels or restaurants, to make a solid first impression. I feel this should be avoided, and the prospect should get a feel of what he or she is getting into. So while this might get you slightly higher rejections, it will save you a lot from first-day resignations, which are far more damaging.

5. Be honest about the resource crunch and financial strength or weakness of the company when you meet prospective candidates, but don't go overboard. You should tell them about the hardships they might face during their first few months of work, but make sure you also inform them about the projected business and how that would change things. There is no real need to disclose your bank statement to any new employee, however sincere. Most likely you will have a really low figure to talk about and that may fail to instill confidence into a

new member. So look and sound confident of your company's position and convinced that times would change for the better soon. And trust me, they will.

6. Avoid recruiting people who negotiate salary figures too long. Although there is nothing professionally wrong in that, it does convey an inclination towards monetary compensation as the single most important decision criterion. Even if you do go out of the way in enhancing the figures for such an individual, you can never rest assured that he would not hop into another organization on a marginal jump in salary figures.

7. Have a keen eye on the family background of the person you recruit. This may sound like a very conservative advice, but I can assure you of its real importance. There is really no logic or explanation behind this concept, only the wisdom passed on by senior corporate achievers and a little experience. Attempt to bring on board men and women from cultured, educated and professionally oriented families and you will perceive the difference instantly. Cultured families imbibe into their children valuable qualities like loyalty, dedication, honesty, warmth and camaraderie. These are all things that go a long way in determining the relationship of an individual with your organization. I am, therefore, always very keen to hire youngsters who hail from armed forces families. They definitely carry that something valuable about belongingness.

8. Unless your work requires some very serious intellectual capital, don't get too preoccupied with degrees and qualifications. Look out for talent, communication skills, energy, loyalty, temperament and a willingness to learn. All technical and operational knowledge can be imparted to a promising individual but no dramatic attitudinal changes can be engineered by even the best of managers. I am not saying that motivating team members will not work. It always does. What I mean is that inherently motivated teams are more effective in all business situations and I would personally vote for attitude over technical competence.

9. When you are interviewing people for a start-up, don't ever imagine that you are the evaluator. While you are busy judging people, they are

busy judging your company. So use the interview minutes not only to study candidates but to also pitch to the really brilliant ones. With lack of market presence and no brand penetration of your company, your interface with people becomes the only advertising medium. If you notice big companies place lucrative recruitment ads in employment journals to attract the best talent pool. Now that you can't do the same, make sure that you talk about the strength of the business model, the future growth prospects, value for human resource and the steep compensation increase curve and such. Make them dream your dream! That will go a long way in determining the opinion these bright professionals will develop about you.

Be cautious while deciding the total strength of your team. Recruit only the number without which things threaten to come to a grinding halt. Wage bills can be one of the biggest causes of high burn rates, and you need to watch out against it. Initially, don't hesitate to plan your team with multiple role allocation. The lady who does the client servicing can also manage the customer help desk. The sales force can look into the deliveries. The technicians can clean the machines, the software professionals can become network administrators, and every one can get up for their own water and coffee. Keeping a smart and slim outfit right from the beginning will not only allow you to manage your cash flow better but also develop a culture for optimum utilization of organizational resources.

This should have given you an insight into the recruitment pangs that start-up companies face and some remedies for the same. What you really need to remember is that bringing people on board is still the easier end of the band. Retaining them is the real challenge. We will study the management of people and retention strategies later in the book.

Setting Up the Infrastructure – The Bare Essentials

Jeff Bezos, the celebrated founder of amazon.com was once asked by a newspaper reporter as to why the office of Amazon used plastic coffee cups and cheapest possible pencils despite being a well-funded, global company. To this Jeff simply replied that every penny saved on the cups can be used to buy better servers, more T3 lines and thus more customer value. Get the point?

The capital expenses you make should be a calculated blend of bang for every buck, fulfillment of necessities and basic comfort for you and your team. I distinctly remember the time when we made the most of our very humble infrastructure during the first six to eight months of our company. It makes the whole team nostalgic thinking about those days when we spread white sheets on the floor and sat down around them to make up for the lack of white boards and conference tables in our office. Windows and doors were swung open during electricity failures because we had no power backup. We borrowed ice from our neighbouring offices since we refused to spend money on a refrigerator. And, if a good number of clients came in all at once, some of our people would have to take a walk since we didn't have enough chairs to seat all of them together. Today all this sounds almost humourous. But when we think deeply about those tough days we overcame, it fills us with a sense of achievement, confidence and satisfaction. That is the true essence of an entrepreneurial struggle.

Take a quick look at the points that follow to plan your spending and setting up infrastructure in a systematic and informed way. This list is prepared for entrepreneurs who are either on their own or have been able to raise very little start-up capital, as unfortunately most of you would fall in this category. Nothing to be worried about though. Both Dhirubhai Ambani and I started this way! So the list is not very valid for well-funded ventures that can afford to scale up infrastructure very rapidly and with much ease.

1. Don't think of buying real estate with the initial capital you have. I have met some entrepreneurs who believe that buying of office space or a factory would offer them some stability. This is a conservative pattern of planning and modern corporate outlook advocates spending under more performing heads. Your team strength is bound to increase rapidly and any space that you may buy now will prove to be small in no time. Look out for a rented space in a location that comes closest to your geographical area of work and falls strictly within your budget. In any case, posh offices in business centres are not a distant dream for most ambitious and smart entrepreneurs.

2. Follow the principle of installments and compound interest here also.

Almost everything you may want to procure for your company can be bought in installments – computers, mobile phones, machinery, furniture, air conditioners, trucks, lorries and even raw material. Buying on credit may not give you the satisfaction of immediate ownership, but will assist your cash flow management tremendously. First of all, you may not even have the money to buy every infrastructure component upfront. Even if you do, it may be prudent to hold back money with yourself as long as possible to feed your recurring expense needs and see you through the gestation period.

3. Buying equipment on second sale may not be a very good plan, but you could be selective about it. It is a good idea to scan the market for any great deals that may come by. I know of a plastic pre-form processing company that started out by buying a second-hand Swiss blowing machine at throw away prices through a distress sale by the first owner. The machine was in good shape and offered high utility during the first crucial year of operations. On the other hand, do not be too hasty in buying computer hardware in a rush as computers depreciate in value (and utility) at a mind- blowing pace. As far as possible buy one machine when you think you may need two. By the time you really start missing the second machine, the prices may have fallen and configurations may have changed. Of course, don't let this harm your operations too long.

4. If your work demands that people sit for long hours, get your office air-conditioned. This might sound like a luxury suggestion to some of us, but is being offered only after substantial experience. Ever thought why some of the developed countries have regulations forcing controlled temperature at workplaces? You may not agree right now, but you will discover that the increase in productivity of your people when working in a comfortable environment more than offsets the expenses you incur on providing the same. During the first year of our company, we actually faced a resignation by a teammate who could not bear spending eight hours daily in our non-air-conditioned office during the scorching Delhi heat. As Magnon Solutions and Magnon International have grown, we have made a concerted effort and ensured that our people love stepping into our offices.

5. Expenditure on fancy furniture, decorative paintings, coffee vending

machines, hidden lighting, carpeted flooring and expensive mobile phones are a strict no-no. Though I am sure all this is simple common sense, which you probably understand anyway. However, the first few post-investment days (if you are not working out of your own money) are very dangerous because they give you a strong loaded feeling. You need to watch out when this happens. You need to remember that this money has to last till your company starts getting its own accruals from the market. So save all this money for that really bad month waiting for you with open jaws a few months down the line.

6. Don't compromise on some essentials such as business cards for your customer-facing people, purified drinking water, telephone lines (at least two) and a well-lit workplace. On the other hand, you would do well to avoid expenses such as office helpers, expensive stationary, high-end conference tables and sofas. In any case, you will be the best judge in prioritizing these expense heads based on your business model and the perception you want to generate. For example, I am aware of some multi-level marketing companies where the promoters just have to invest in flashy cars and cell phones to create a market wave about the success of their plans. This word-of-mouth promotion is their strongest business development tool. So evaluate your needs on all the parameters that affect your business and take a systematic route towards counting the rubber bands.

7. There should be no hesitation in spending money on compliance with the law of the land. For example, if your work requires software packages (which it most probably will), buy only licensed software. This may be a head you haven't budgeted for, but whether it is accounting software like Tally or simply MS Office, you don't want compliance officers and Microsoft reps knocking on your door in a few weeks. In any case, use of pirated software is an unethical practice and it is both logical and morally right not to indulge in it.

8. If your work is labour-intensive, for example a manufacturing unit or a garment export house, make sure the manpower work in neat and ventilated spaces with regular supply of refreshments. It also might be a good idea to set up a small canteen for the workforce to revitalize their mind, body and spirit. It need not be too elaborate and can be made in a corner of your premises. Similarly, if you were in a

perishable products business like food processing, it would be foolish to try and save money on critical infrastructure components like warehousing and cold storage.

9. Bargain, bargain, bargain! Whenever you step out into the market to buy any product or service for your company, bargain like Shylock. Very widely accepted business sense says that you make more money on buying than selling. This obviously follows the adage, 'a penny saved is a penny earned', and can be very useful in your attempt to save every penny possible. I remember sitting in one of my early investors' offices while he was speaking to two different computer vendors negotiating the best price for a few laptop computers. Seeing him haggle for a mere $500 dollars or so made me wonder as to why a man of his stature and riches would do so. At the end of the call, he could see my bemused facial expression. He candidly told me that talking on the phone for two extra minutes just saved him a couple of thousand dollars. He laughed and stated, "Nothing else I do can make me earn two thousand dollars in two minutes." He was so right.

All of these fall completely under the common sense set. However, having met numerous entrepreneurs who face severe financial crunch due to overspending or spending on wrong areas in their initial few months, I felt this read might value add (or value save!) for you. Even if this won't make any dramatic impact on your business spending, it will at least provide a collection of thoughts and reminders for you.

It is important for you to understand and believe that you will always have a better grip on your requirements and financial position than any external consultant or observer. So it is impossible to follow any fixed set of best practices to set up the physical presence of your company. Most likely none my suggestions would be needed if you are working out of your own hard-earned money; you will just execute them intuitively. Just remember that even when you are utilizing the funds investors gave you, you need to follow the same restraint as you would have when spending from your own pocket. Finally, just remember the well-known line from Francis Bacon, "It's not what we eat but what we digest that makes us strong; not what we gain but what we save that makes us rich; not what we read but what we remember that makes us learned; and not what we profess but what we practice that gives us integrity."

March on. Do not tarry. To go forward is to move toward perfection. March on, and fear not the thorns, or the sharp stones on life's path.
— Khalil Gibran

CHAPTER 6

That First Year —Guts and glory

The beginning is the most important part of the work.
— Plato

You must be wondering if there is any need to discuss the first year of operations when this book is only about launching a start-up enterprise. Remember the number of times you have heard of companies starting with a bang and within a very short time ending with a whimper only to be buried in the graveyard of failed enterprises? Remember reading about dot-coms perishing within six months? How many small Indian call centres that mushroomed with a promise to transform the BPO industry worldwide can you recall being still alive? Can you even begin to count the many manufacturing units being set up every day and facing closure even before the first product line gets sold? All of these indicate that most new organizations find themselves in troubled waters or even shut shop in their very first year of active work. If they manage to see this critical period through, they go on for a very, very long time.

The causes for this will be highlighted later in this section. The only purpose of this chapter to ensure that all you aspiring entrepreneurs get the true essence of successful business planning right at the outset. The real challenge is not in starting a business but in keeping it alive and running it profitably for years to come. And the first year lays the platform for a start-up to become a respected corporation one day.

If the launch stage tests your planning and organization capabilities, these four quarters will try you a lot more. If you have heard of words such as perseverance, determination, stress management, optimism, sacrifice and keeping the faith, these months will make you understand the true meaning of these. In fact it is this time in your business life that will hold the promise of your evolution from a novice to a reasonably seasoned businessperson. And I can assure you that it will be a test of your nerves involving a lot of pain, tense moments, slogging and even prayers!

I don't intend to scare you at this juncture, now when you have made up your mind to tread the path of struggle and success (...and you have almost read a whole book on it!), but only to make you cautious about the fact that just being able to gather funds, people, plans and infrastructure cannot be taken as tools enough to ensure that you can reach for the stars that you wish to. The real battle begins at the word 'GO'! And why should you fear anything anyway? My dear father once told me, "Can a rock become a beautiful statue if it fears the strike of a chisel? Can a piece of land be cultivated for fulfilling crop if it fears the plough?" This year will be your plough and chisel. Accept it with courage and pride.

But why is the first year so important? What is so different about this year from the other routine years of normal business life? Ask yourself: Why is the first lap of a Formula One race so important even for Sebastian Vettel? Why are the first ten overs of a one-day cricket match so crucial? Why do the initial few seconds of a satellite launch determine its successful trajectory? It's more or less the same for all business organizations. Let's now take a look at some of the visible and evident turbulences that most start-up organizations are likely to face during their first year and what makes it so different from routine business years.

1. Your company will have no market presence, very few customers and negligible revenue coming in during this period. This obviously means

no business through referrals and word of mouth as is the case with most organizations with a few years of work behind them. When there are no primary clients, there will be no repeat business. And every penny that you earn will have to be an outcome of a concentrated sales effort.

2. You are most likely to have no experience of managing a whole organization on your own previously and this inexperience will show. Face it. There is really nothing wrong in admitting that you are right at the beginning of the entrepreneurial learning curve when starting out. As a result you will take time in learning the inside story of cash flows, people management, collections, operations and even client prospecting. So apart from the ephemeral setbacks normal business will have to offer, your own learning cost will also be a part of the lifecycle.

3. The human resource of your organization will be fresh as daisies when it comes to a company's intellectual capital base. You would be able to call a few things your competitive advantage or your core competence, and the first year will be spent trying to discover or develop both.

4. You may have heard about terms such as business practices, trade secrets and organizational policy. But you would not have identified and finalized any of these when you are busy rolling out your business. You cannot do much anyway as these are all essential components of the concept of market learning. For example, you would not be able to determine which debt to be declared as bad and which as just a delayed payment; you would not enjoy credit benefits from suppliers because you have not been able to establish relationships just yet; you would not have discovered the higher-margin components of your business… so on and so forth. So advantages would be few and discoveries will take time.

5. As Murphy indicates, "When a thing can go wrong, it will!" When a toast falls on the floor, it's always on the buttered side! So true for entrepreneurs… for inexplicable reasons. You are bound to face issues of shocking resignations, bad sales months, defaulted payments, crashed hard disks, irate customers, unreasonably disconnected telephones, investor unrest and accounting mismatches. Although all

of these are part of 'normal business years', these will slow you down and you will lose precious business hours. By the time you get used to such regular hitches, you would be in the third year of your entrepreneurial life. I remember an entrepreneur friend calling me at midnight because he had lost an essential piece of data due to bad sectors in his computer's hard drive. Years later he still calls me for rescue (God knows why, as I am no computer expert!) but with significantly less urgency or panic.

6. Finally, everything is related to the volume of products and services you can sell, and selling will be the toughest thing to do. Imagine that you visit a prospect and on being asked about your previous experience in offering the same product you just have to disclose that this would be your first attempt! A client would almost feel like a guinea pig and thus getting your first few customers will be an uphill task.

You are bound to face all or at least some these during your first year in business. One year is just an approximate time frame and is not any empirically tested unit. It is normally the time an organization takes to be able to stand up on its own feet, though still wobbly. It is also a good measurement bracket, as at the end of this time you will prepare your first balance sheet and profit and loss accounts.

So what strategy should you adopt during this time to ensure smooth going for the company? If all new organizations face the same challenge irrespective of their size and business domain, how do some of them take off well by the second year and the others face even survival issues? The next few pages will address these questions and also arrive at suggested plans of action for certain key areas of your organization to effectively overcome the teething troubles.

Training, Leadership and Motivation

Hire character. Train skill.
— Peter Schultz

I was once surprised to know that Subrata Roy, the founder of the Indian corporate house Sahara India Pariwar, participates in the training and development exercises of new entrants into the company even now. His philosophy is simple. Since the Pariwar (or the Family) has been built by people, the new work force has not only to be warmly absorbed into the family but also trained on the key guiding principles and ideologies that have developed Sahara from a once-small beginning into one of India's biggest business houses. Great companies like Microsoft, Adobe, Google, Ogilvy, GE, GM, TCS and Citibank spend millions of dollars every year in the development of their people. The reason is well understood and has been discussed in previous chapters. People being a company's single most important resource have to be nurtured – both in terms of skill-training as well as the organizational value system.

But isn't formal training the domain of only established and resource-rich companies? Absolutely not. Imparting formal training programmes are equally essential for your start-up company and should be one of the areas where you spend maximum time during the first few weeks or months. But since training programmes are conducted by professional trainers in any field, should we spend precious resources on organizing such a forum? First of all remember this: Your company has an excellent trainer on whom you don't have to spend extra dollars. That trainer is YOU! And why not? Who better than you can convey the real business sense behind the initiative? Who would have more research base on your business space than you do? Most importantly, in whose eyes will the new people see clearer dreams?

Training is not just about educating the recruits about the roles, responsibilities and technicalities. It is about bringing them closer to the organization's vision. In a case where some technical and operational training has to be imparted through experts on some subjects, you must not try to save costs here. A quality training session will bring back all your coins to you ten-fold within no time.

What's more important to understand is that holistic training for your first set of people can never happen in just an organized seminar room for a few hours or days. Training and development of your people will be an ongoing process that would take several formal and informal sessions. I noticed this in one of the most brilliant people and aggressive entrepreneurs I have ever met.

This gentleman heads a huge e-commerce company that he has built in a little over just five years. Working on a few projects with him, I realized that he used every moment of the time he spent with any of his employees very constructively. Most of us detest waiting outside client offices even when we are on time for the appointment, don't we? We flip through magazines, respond to e-mails on our smart phones or drink many glasses of water, with nothing better to do (Some lively salespeople also discuss the reception-desk lady during this time!). But unlike most others, I realized that this guy invariably struck a light conversation with his accompanying colleague every time he had to wait at the reception or had to drive a long distance. On careful observation, I noticed that this discussion was really not intended to be 'light'. It was always an opportunity for a gifted entrepreneur to motivate his teammates outside the formal humdrum of a boardroom. He would always discuss plans, shortcomings and goals with his colleague and ensure that even the waiting time was used for a critical responsibility he had to shoulder – the responsibility of continuously training his team.

As an organization head you will observe that there are times when even the most dedicated team members will show signs of fatigue or what is dangerously called burnouts. But this is nothing to get alarmed about. All of your teammates are human beings and the monotony of any single responsibility shows on many professionals in almost all organizations across the globe. However, how you tackle this recurring situation is what will pave the way for long-term employee relationships your company will forge.

Most human beings are in a way like automobiles. They run smooth and fast as long as they have sufficient fuel. A regular dose of motivation and training ensures that the inferno within your young team remains alive along with continuous improvement in their professional competence and zeal. Also, after they have seen some turbulent times through with you, they will need fewer lessons with every success and defeat of the company. They will finally be in a stage where they will be as driven as perhaps you are and will bear this torch for the next wave of professionals that will join your team in the times to come.

Ever wondered why Jack Welch has been accepted as one of the greatest management gurus of contemporary times? No doubt he successfully led one of the most respected companies in the world. But the real reason behind his fame as a corporate genius was that his leadership nurtured leadership. Jack Welch never groomed employees to become only good workers or managers. He developed them into a powerful line of leadership.

Today GE is a company stronger than ever not only because of its past, its huge size, corporate strength and powerful brand equity, but also because of the presence of magnificent leaders. And all because one man named Jack Welch made leadership at GE a way of life.

I would like to reiterate that all this conversation about big companies and formal training should not put you under pressure. I insist that even if you are starting a two-member company (one apart from yourself) be equally zealous about the training period. A lot of entrepreneurs I have met fail to implement a lot of best practices simply because they feel they lack the glamour or the cosmetics. Let me illustrate this with an example.

An ex-colleague of mine who now runs a small market research outfit almost cringes every time I suggest a monthly Star Performer Award for his employees. This award should just have a token monetary value along with a certificate of excellence to convey the appreciation of the organization towards the team member who has given his or her best in that particular month. He loves the concept but refuses to implement it since he has only four members in his team. In his opinion such gestures suit only big companies that can select the best out of probably five hundred employees. In a small organization, he says, it all looks so artificial. Now the problem is not with the organization's size, it is with the mindset of the promoter. Remember, there is absolutely nothing that big companies do which you can't follow in your own humble yet honest way. Maybe the employees expect such recognition. You can also afford a small amount to ensure employee satisfaction. The good performers will become even better, and the mediocre will try and run the extra mile to achieve this recognition. Everything is just perfect for my ex-colleague to announce this award. Everything, except his own inhibitions.

My attempt by way of my ex-colleague's example was just to convince you that value-driving activities are the same for all companies irrespective of their sizes. These must be implemented, with or without the glamour. So whether or not you can arrange for a conference room, refreshments and flashy-looking trainers, the training exercise just has to be implemented.

The reason why I am emphasizing this point so much is because I have seen cases where brilliant entrepreneurs fail to see this point and consider on the job training to be the best solution. Of course it is a wonderful way of completing the training. But it should never replace or substitute serious instructor-led programmes. In fact at Magnon, we now ensure that not only are all new entrants subjected to a grilling training programme, they are also put through posttraining examination and many hours with the senior management of the company. The training programme and evaluation offer intense technical and operational education, and the time spent with company seniors inculcate the new entrants with a feeling of belongingness, and to use my favourite concept – collective dreaming!

HR Challenges and the 5-E Solution

The most important single ingredient in the formula of success is knowing how to get along with people.

— Theodore Roosevelt

If you remember I had mentioned earlier that when I am questioned on exactly what my responsibilities at the Magnon Group are, my reply is: "I keep people happy." This is exactly the point I am trying to drive at this juncture. As an entrepreneur and a business leader you will have to shoulder tremendous responsibility of managing people from different walks of business life. Although the set of these people includes numerous associates and partners, the primary role you will play is of managing the internal workforce of your company.

This is a critical aspect of entrepreneurship because the productive contribution and retention of your people will determine the success route of your organization right from the beginning. A manufacturing unit in New Delhi recently shut down because the production manager left the organization suddenly, and the dependence of the organization on that one individual altered the very destiny of that company. And with only a little experience, you will realize how susceptible you and your organization can be to a similar situation. Being a new company does not allow you to afford to pay multiple people for the same role. Also, since you will have a very small workforce to begin with, every member of that team would be playing a mission critical role. This is what all smart entrepreneurs need to watch out for.

But how will you be able to devote so much time and energy into this area when you also have innumerable other important things to look after including sales, collections, accounts, investor relations, operations, legal matters, hiring, administration and the overall strategic direction? Bigger organizations have focussed HR departments with professionals concentrating only on this area. You obviously can't hire an HR manager at this stage; thus, the responsibility falls entirely on your shoulders. And human beings are complex creatures. So, is there a set of simple guidelines that one can follow and be reasonably competent human resource developers and managers? Honestly, there isn't. But I will sincerely attempt to simplify the situation by sharing with you what I have been following for the last few years – the 5-E solution.

The 5-E practice is a 'HR Formula for Beginners'. And most of us are beginners till we have spent at least a decade in the industry and met and managed at least a few hundred different individuals. So since you have probably not been a business leader for too long, study the following 5 Es.

1. Educate
2. Encourage
3. Evaluate
4. Empower
5. Enhance

Just like most business texts, this is also about common sense. But again, just like most management texts, it will make you appreciate its simplicity, only after you have read through it fully.

1. **Educate:** Can you expect anyone to design a computer microchip without advanced education on hardware and software systems? Can a doctor operate on a patient's heart without formal training on cardiac surgery? Obviously not. Similarly, before any contribution can be expected from a teammate, it is very important to educate him or her

on the area of operations to be handled. Elaboration on this point would just be a repetition of what has been discussed in the previous topic.

2. **Encourage:** One of my relatives works as a corporate sales manager with a leading telecom company, one of the leading mobile telephony services of India. On seeing him speak over the phone with his sales force on a couple of occasions, I noticed a glaring variation. He used rebuking and almost abusive language with some of the older sales people working in his team, despite their reasonably good output. On the other hand, he used extremely appreciative words for the newcomers almost all the time. I asked him why and he explained that there was no pardoning the seasoned and experienced sales force for poor performance, but the newcomers should be praised even on failed sales attempts. "The newcomers need the constant encouragement to keep the faith and surge ahead relentlessly," he said. Although I do not fully agree with the unforgiving approach towards the experienced sales team, I am completely in sync with the management of the fresh recruits. Fresh recruits are like tiny seedlings that need a regular dose of water, fertilizer and love to grow into big trees. Once they reach the critical threshold size and mass, they can manage well without all this and need to bear the burden.

   So make it a point to pat shoulders whenever possible. On speaking to a senior executive from MasterCard during a train journey one night, I discovered the closest representation for new human resource management. She explained elaborately that new workers should be treated just the way an Asian potter controls fresh clay on the potter's wheel. You need to keep the pressure from the top to give it the right shape, but support it from below every time it gets too much.

3. **Evaluate:** Every now and then you will stumble upon a situation when you need to assess the outcome of your effort in training and developing your team, along with the direct impact of every individual on the total productivity of your organization. And there is nothing wrong in this exercise because each member of your team, besides being a value creator, is also a serious cost-centre. Business sense demands that every resource deployed into the organization has to add value to the expected level or be further whetted or replaced. And this

obviously includes the human resource of the organization. Especially if you are planning to launch a services company, wage bills will form the lion's share of your total costs.

Even great companies like Infosys have 'Performance Improvement Programs' for underperforming resources and is a practice followed in some form by almost every organization I have interacted with. So prepare yourself and go in for detailed assessments and appraisals for all your people in a planned and systematic way. There is nothing negative about this process and is an accepted norm of human resources evaluation and rewarding. Not only will this ongoing system help you improve the collective performance of your team, but will also enable you to identify the shining jewels in your outfit. The next step of the 5-E sequence would also be dependent on the successful implementation of this very stage.

4. **Empower:** Remember Jack Welch? Or why go all that far at all. Even Dhirubhai Ambani, one of the accepted geniuses of corporate India, was known to manage his vast empire with the assistance of his two brilliant sons and fifty lieutenants. Empowerment is absolutely vital if you want your humble start-up to assume the size of a large corporation one day. A very wise man once said, "A man may not know all that he can do, but he must know all that he can't." With even basic understanding of business dynamics, you would understand that you cannot possibly manage every arm, every department and every function of your company yourself and the ability to effectively delegate and empower your people will assist you in overcoming this shortfall. And please, don't wait for the 'departments' to actually get formed!

   Empowerment of your people is a culture that needs to be put in place right from day one. This will serve two purposes. One, it will make your company a more efficient organization, and two, it will give your people the freedom to think, work and innovate. We are working with a big construction company in India's largest state where everything else seems okay except for the empowerment of people. Not even the senior-most manager can issue even the smallest of payments to vendors and every letterhead to be printed needs the approval of the managing director. Such companies suffer heavily in today's fast track corporate sector and in the 'animal analysis' of companies I would place them as the elephant, big but rigid, slow and top-heavy!

5. **Enhance:** During my internship with Philips many years ago, I was working under the regional sales manager for the domestic appliances division of the company. He was known to be a very hard taskmaster and was a nightmare for his salespeople. During one of my learning sessions in his cabin, I happened to witness a sales management scene. One of the sales officers of the company had been performing badly for a few months and the regional manager had called him for an explanation. On being questioned about the dismal performance, the salesman almost broke down and narrated how he had been giving his best to the organization. He described how he was the salesman who spent maximum time on the field, had all his reports in place every evening before he left office, made calls to distributors everyday and how he was almost facing marital problems due to the minimal time he spent with his family. His side of the story sounded very genuine and I expected the RM to soften up a bit. On the contrary the RM asked him a simple question, "So what happened at the end of all this effort? Where are the results?"
   This incident made me aware of one straight fact about the cruel world of business: Performance is the only indicator of contribution to an organization and the only route to corporate growth. Obviously, after your evaluation and empowerment, screen the real performers of the organization and enhance their responsibilities, compensation and spans of control. Remember, good workers need constant acknowledgement from the management of an organization in the simple forms of money, recognition and authority. Honestly, aren't these exactly what all of us want in one form or the other? Promote the performer – simple. This will be the last but recurring step in the simple yet very useful 5-E model.

Rolling Out Your Sales Effort – Stayin' Alive

An ounce of action is worth a ton of theory.
— Ralph Waldo Emerson

Welcome to Hell! And trust me, this is what your personal and professional life will probably become when you try and actually sell everything that you have been planning to. Even for the people who have faced the sales fire before in life, the challenge in selling new products and new services from a new company to a new client will be an altogether different ballgame. Without sounding too discouraging, I would only emphasize that you will have almost no advantage on your side – no power brand, no track record, no experience, no relationships and no advertising of any kind to support you. Would you buy a product or service from a company if you discovered you were the first one to do so? Where will the credibility or just the ability of the company to deliver come from? This is exactly what will ensure that many of your first hundred sales calls would show absolutely no result. To state the truth, I had a few prospective customers who almost laughed at me when I told them they were the first ones!

So what is the solution? There just has to be one since all organizations must have closed their first few deals to become established companies of today. They must have found some way to reach and convince clients. If they could, so can you. Although I am a staunch believer that sales skills cannot be taught to anyone overnight, and a book will certainly not do any wonders, a look at the suggestions that follow will help you gain some practical insights into how the tough road can be made comparatively smoother. All the points are completely based on practical experience and hundreds of mistakes made by us at Magnon and a lot of other entrepreneurial ventures. You need not make these mistakes all over again, and this text might help in preventing you from reinventing the wheel.

1. Write down a profile of your company even if there isn't really one in order. This takes you into the marketing and communications realm of business. Bear in mind that a majority of what most companies write in their communication media is just a glamourously worded presentation of not-so-impressive achievements. So even if you don't have clients and awards to talk about, conjure up some impressive content yourself or from sources around you without invading copyrights. (Websites of larger competitors can be an ocean of such info, but remember copyright issues). It may just be a few pages of your team profile, product specifications or even management text. Most of your customers will not read everything but a bundle of papers called your

company profile will make you appear more established and will make bargains easier for you.

2. Just as I had suggested that you try and raise investment from friends and relatives, the same principle applies in attempting to book your first few orders as well. Whether you are offering products and services to organizations or to individuals, the people who know you will be the most encouraging customers. For example if you are starting a small investment consultancy, make sure that your father, brother, uncle, friend and colleagues become your first set of clients. On the other hand, use your investors' (if any) contacts and network to look for 'angel' customers.

3. References work like magic. Even if your immediate circle of friends and acquaintances do not fall within your target market, ask them for references (at least ten each). These will guide you to the right prospective buyers with a word of appreciation. My company bagged its first order from one of our investors' best friend.

4. Try and forge alliances and collaborations with organizations in related fields. For instance, if you are in the business of manufacturing signage boards and visual merchandize, it might be a good idea to establish sales channels instead of trying to crack accounts directly. An advertising agency or a printing house would be an ideal partner and can introduce you to their clients for a regular margin out of your revenue accruals from that account. These will not only kickstart a small stream of revenue for you, but also provide you with a client portfolio and some crucial work experience.

5. A well-balanced pricing strategy plays an important role in determining the success of your sales effort. Frankly, you will have to crash your offer prices way below industry and competitor standards. A large number of Indian customers are extremely price conscious and would take the chance of working with newcomers if they were convinced of a good deal having come by. This strategy may not give you desired profit margins, but you must remember that your first goal should be to get clients and revenue streams in place. Work on a purely cost-covering basis and wait till your market presence, experience and repeat orders fetch you the profits. This may sound like

a difficult proposition, but you will agree that some money is better than no money at all.

6. Unlike established companies, you will be grossly underprepared to face difficult questions about product or service delivery. In fact you will be surprised at the amount of knowledge you will need right at the time of pitching if you are even in a remotely knowledge-intensive business. There are numerous things that books and the Internet can never teach you about your business and will follow only after you have spent some sweat on the domain. Nevertheless, being in the position you are, it becomes even more critical to gather as much information and knowledge about your business as possible. With whatever domain insight you have, ensure that every sales call that your sales people make are loaded with documents and papers. This becomes even more essential if you are in a services business. Services need tangible support, and these brochures will offer just that. They may not be glossy printed papers and can be simple photocopies to start with, but being equipped with them will make all the difference for your sales team.

7. Identify sectors or organizations that you need to reach out to during the first phase of your sales. Most likely you will have a small sales force and limited resources. So pinpoint the areas you feel would deliver maximum results. This will give you the opportunity to research a target market segment and go for it in full steam. A haphazard sales approach has lower probability of showing immediate results. Here is an example. Suppose you are literary inclined and you set up a small publication house in an attempt to make your interest your profession. Now it would be important for you to understand that book trade is a very vast field and to succeed, you need to make a mark as a publisher. The most fruitful approach should be to select any one area like management, history, cooking, children's books, defense or fiction and address that target audience with a focussed view. It would make more business sense for you to be called a great management books' publisher than a mediocre publisher of just any books.

8. The last but most effective rule: Don't make sales based on the business sense of your prospective clients. Sell because you just have

to! In my opening lines where I discussed the absence of any advantages for your start-up company, I skipped one of the biggest advantages you will ever have – the undying aggression and energy of a start-up company! The fiercest sales efforts I have ever witnessed have all been stories from entrepreneurial ventures. Established organizations have tools such as sales targets, rewards, incentives, statistics and charts to support their sales efforts. Start-ups have only one support system, and that is the simple word called survival. I cannot explain it in words, and you will not fully understand it right now. But you will see that your instinct for survival will be your biggest sales agent.

I really want all aspiring entrepreneurs to concentrate on the last point. All the suggestions made before that can be figured out with comparative ease. However, this last bullet is what explains why some start-ups crash while the others become big corporations. Have you ever wondered why even in large organizations a majority of orders are booked within the last few days of the target achievement deadline? It is simply because of the pressure that gets built up by then, and sales executives and managers have to report figures to their respective seniors. Now think about it. If the routine fear of a senior's displeasure can lead to better sales performance, what can the fear of losing a career do? And what can the fear of shattered dreams and failed ambitions do? When you are in the driver's seat and going crazy trying to sell, sell and sell against all possible odds and hardships, you will realize why I mentioned that start-ups thrive and survive on adrenalin.

So lead your sales force like a lion and lead by example. It has been accepted widely that sales people normally follow the footprints of their managers. An aggressive sales manager develops fiery sales executives and the chain continues. Imagine a situation where you have spent over twenty hours preparing a sales presentation. You visit a client ten times before he finally says yes or no, and you make hundreds of phone calls without the fear of constant rejection. Trust me, most able sales professionals will follow suit. And that is precisely what your organization will need in abundance.

Some of you might be thinking about how conveniently I have overlooked the role that quality, efficiency and a product's value-proposition play in sales and marketing. This observation is not wrong, but I would emphatically state that this text does not aim to offer advice on the most obvious best-practices in business. Quality matters, efficiency counts and the value-proposition are critical. But these are accepted principles, and I am assuming that everyone reading this is on the same page about all these. I am only trying to suggest how you to make the most of your sales effort, irrespective of the product or service you intend to bring forth to the market.

Finally, I would like to clarify that despite all that I have mentioned, sales cannot be made only on sheer determination. You would be the best judge on how to add value to your products and services and how to really go about the marketing. However, I am sure most successful entrepreneurs will endorse wholeheartedly that energy, aggression, focus and an indescribable madness to sell go a long way in boosting the revenue figures and overall market strength of a young company. And this is where the action is!

Work Environment

When you commence work with the people you have newly recruited, you will realize that following rules is much simpler than framing them, blending into a work culture is easier than nurturing one and obviously pointing out shortcomings is effortless as compared to managing them, especially in a scenario where every move you make will lead to an invisible but potent trickle-down effect within your organization.

Consider this example. We are working with an entertainment company that has built and managed many multiplex cinema halls in the country. While working on this assignment, we happened to spend numerous hours in this organization. A startling revelation was the frequent use of expletives among the employees! People were used to abusing each other almost all the time, irrespective of where and with whom they were sitting. This was a disgusting experience for all our client-servicing associates who were working on that project. Eventually, one day we discovered the source of this culture. In our meeting with the chairman of that company at the time of project completion, we were shocked to see that he carried a perpetual bad temper and threw unbelievably poor language at even the highest executive of his company. Though he spared us the delight of being at the receiving end of his pretty words, we left his boardroom with a very bitter aftertaste. And we realized that this bitterness had spread through his organization like the plague.

So what do you do to ensure that you are developing a happy and vibrant organization? You will find several tips on this in the last chapter. At this juncture, however, make a note of the following simple suggestions:

1. Some things about the American or European ways of working are really worth inculcating into your company. For example, the use of first names (nick names are even better) to address each other, including the CEO, is a brilliant practice. It brings about an ease of interaction and lends an overall feel of zero-bureaucracy in the organization.
2. Even within the limited resources you may have, it is a good idea to bring together a bright and alive office. It takes nothing much really. Just a few humourous wall-posters, a few stress-busting toys and rich colors on the walls. This will make being in office a pleasant experience for your people and will make them like spending time at the workplace. However, this is a personal opinion, and variations to this rule may exist based on the type of business you are in.
3. Organize pizza parties and courtyard cricket matches for your team. Remember, all work and no play makes Jack a very bored manager! So be responsive towards the life needs of your team and allow them (in fact encourage them) to break free from mundane routines and participate in entertainment and team- building exercises. You will see how it does wonders to the family spirit in the company and how colleagues turn into friends.
4. Introduce the solution approach into your people and not the problem approach. You will see a lot of them walking up to you with innumerable problems. Don't be the solution provider, just be the facilitator. Ask everyone to think of a suggested solution before they report a problem. If feasible, ask them to implement it themselves. Here is an example. In our organization, one of the techies came to me complaining about slow Internet connectivity in the office. Magnon being a pure-play and full-service digital agency, bandwidth assumes critical importance with us. However, I refused to offer a solution and

asked the guy to figure one out within our resource allocation for connectivity and implement it in a week. In two days, I had the latest service providers' catalogues and prices on my table and we quickly selected one of the choices. The importance does not lie in the size of the problem. It lies in nurturing a 'think-of-a-solution- and-implement-it-yourself' culture.

5. Be careful about the code of dressing you insist on. Keep it smart. Keep it cool. Keep it easy. There is no point in making a regimented organization when it does not really provide any serious value addition. Again, this is only a suggestion, and you are the best judge to decide. Some businesses, as an industry practice, need a certain kind of dressing, and that should be definitely followed.

6. As far as possible, hold gatherings of your entire team whenever time and opportunity permit. It is very important to have your whole team involved in the day-to-day planning and the long-term intent of your company. This will not only induce transparency in your operations but also bring everyone into perfect communication levels with each other and into the mainstream of the organization.

As a thumb rule, keep the going happy and alive as far as possible. Everyone loves to work in a place that offers enough room for humour, laughter, friendship and communication. These are what I call operational catalysts for a company that will enhance the overall productivity of your organization even before you notice it.

Keep reminding your people about the rules and discipline of your organization but don't try and enforce them brutally. A lot of large companies are very strict with rules, but they can afford to do that. They pay people much higher than you would, along with offering brand association incentives to them. But if you emulate the large corporations, God help your attrition rates! So this will demand a lot of managerial skill, and you will have to engineer a good balancing act between the freedom you offer to your team and putting your foot down when situation forces you to.

Finally, keep a simple guideline for yourself and everyone around you: Learn, implement and stay committed, and have a lot of fun while doing all these!

Managing Cash Flow

Ever wondered why start-up businesspeople look stressed out almost all the time? Here's why. Imagine a situation where you need to pay rent, phone bills, salaries, installments, reimbursements and travel expenses in a week's time. The total money to be paid out amounts to $5000 or ₹2,50,000 approximately. Unfortunately your bank account reflects a deposit of $300. With any substantial cash inflows seeming distant, would you not be stressed? It is as simple and as real as that!

One of the biggest impediments towards smooth business functioning and one of the most important skills you will have to learn in your entrepreneurial career, is that buzzword called cash flow. In fact, if you assess business cycles carefully, you will realize that the essence of all corporate processes and operations lie in this deceptively simple term. And seasoned entrepreneurs are masters of this art.

Cash flow effects all organizations equally, irrespective of their sizes and nature of work. No business can survive long without a regular supply of revenue and nearly no amount of cash reserves can last beyond a few quarters at best. Moreover, real life business conditions will teach you that getting your fair dues in time is a utopian state and very few outstanding invoices are really cleared just when you deserve them. In fact during our first few months in business we never cared too much about the receivables. We honestly believed that once an order is delivered, the compensation is our moral and professional right and will certainly come in at the agreed time. Unfortunately, our clients didn't think the same way. And slowly we realized that it was not just our clients who delayed payments… it was nearly a worldwide phenomenon. As an outcome, collections are now considered as important as sales, if not more.

But why is cash flow understanding considered such a big deal anyway? After all it's just balancing the money that comes in with what goes out, right? I wish it were that easy. I met a very impressive and knowledgeable bureaucrat a few months ago. During a casual discussion he asked me how I ran a whole organization at such a young age. He stated very emphatically that he could run the government of a country if need be, but couldn't dream of managing a small grocery store. The reason he cited was what he just failed to understand - cash flow.

Professional cash flow management involves a lot more talent heads than you thought. It requires a powerful blend of financial management, forecasting capabilities, mathematics (yes!), logistics, risk-management, relationship management and prioritization.

So while it is a complex science and art, a few cash flow tips that follow will help you make your ride less bumpy.

1. When you feel your expenses will be $1 on any head, add twenty-five cents to it. When you think your earning will be $1 from any client, reduce twenty-five cents. This is a simple and age-old method used by the business community, and in the absence of financial specialists and models this will keep you on a conservative and secure footing all the time.
2. Make your mind a simple calculator. It should be able to add and delete at all times and keep a mental note of bank reconciliation figures. In any case, this is something you would not have to work too hard on. You will just learn with time.
3. Make it a habit to sit down with the accounts books every alternate evening before you leave work. It will take only fifteen minutes of your time but will give you a strong grip on the cash position, on all the inflows and outflows.
4. Make payments' collection a part of your organization's work culture. This is a simple suggestion but has a lot of weight attached to it. It has almost become a standard that entrepreneurs lose a lot of money in the market before they learn the importance of effective collections. Learn from others' mistakes and keep an eye on collections from day one.
5. Hold on to your cash as long as you can. However poor this may sound in social parlance, it has many benefits for a young, low-on-cash organization. But be very cautious in the way you prioritize the payment schedules. Paying utility bills like electricity, phones and rent has to be top priority. Paying your team is an immediate second. The rest can be allocated on a pure need-and-necessity basis.
6. Make a conscious effort to forecast the revenues and costs at least a

month in advance (this becomes three to six months as soon as your business reaches a certain scale and size). Forecasting will not only help you manage the money better, it will also spur you to achieve those targets.

Finally, I just have to mention that no one can really teach you cash flow management. This is a training that you will go through as you move ahead with your entrepreneurial career. And the advantage is that as you do that, the importance of every penny will increase for you with each passing day. That will be your greatest teacher.

I don't care if I fall as long as someone else picks up my gun and keeps on shooting.

—Che Guevara

CHAPTER 7

Phase Two of Your Start-Up Company — Building an organization for a 100 years

After a certain point money is meaningless. It ceases to be the goal. The game is what counts.
— Aristotle

My task is almost complete. The fundamental objective behind writing this book was to give you a true and practical (even brutal at places) picture of an entrepreneur's journey. In other words, the objective was to offer you a handbook on how to build an organization from scratch. However, is the corporate sector or even life only about reaching a particular destination and concluding the climb? Or is it about an endless ascent and strife? There is still an important aspect screaming for our attention. It is an aspect that deals with the unquenchable thirst an entrepreneur needs to have for achieving infinite growth and impossible dreams. An aspect that deals with the principle that maintaining success is more difficult than achieving it the first time. As a corollary, which can be backed by hundreds of examples, managing and continuously developing a company is much tougher than creating one.

Astonishing as it may sound, I recently learnt that great corporate founders have rarely been brilliant corporate managers! Of course we are excluding the likes of Bill Gates, Steve Jobs and Richard Branson from this analysis, as they are beyond any measurement management theory can ever set. However, there have been several cases of organizations hitting a plateau in terms of growth and generations going by to bring the vibrancy back into the company. A management consultant once narrated to me the case of a senior corporate executive who was a renowned 'specialist' in building start-up companies. He had been a part of many start-ups that he steered towards stability and growth. Despite his contribution in the early stages of development, the management of each of these organizations invariably forced him to resign from the companies after he had completed a four- to six-year stint. This could not have been a pure coincidence.

What do you think could have been the reason? Obviously, his skillset that was phenomenal in nursing young companies was not suited to managing them after they attained a certain scale and size. This is a very real threat many entrepreneurs face.

It would be wrong to blame only the professional fabric of an entrepreneur for the stagnation threats an organization faces. Most business managers would agree that stagnation or falling into a redundancy trap is a collective shortcoming of the organization and cannot be attributed to any one person or designation. However, being at the helm of affairs in your company and the original visionary, it becomes an unwritten responsibility of the entrepreneur to carve out the growth continuum for his or her company.

But what is the difference between the people who build great organizations and the people who manage them? How can we logically accept that someone who sows the very seeds of a start-up company can actually lose his or her grip on the development of the company as time passes? The answer lies in a simple analysis of the diametrically opposite approaches of management required while building an organization and when running an established company.

If you want one year of prosperity, grow grain.

If you want ten years of prosperity, grow trees.
If you want one hundred years of
prosperity, grow people.
— Chinese Proverb

For example, in a start-up company, the top management has to break all rules to surge ahead. They have to introduce tremendous flexibility into the system to ensure optimal utilization of the limited resources the company may have. Work is normally completed on an ad hoc basis, and the management actually encourages the employees to take initiative and offer quicker shorter routes without worrying too much about rules and systems. Functions see complete overlaps sometimes, and the company almost runs on the 'one-for-all-and-all-for-one' principle. Although this proves to be a vibrant work environment for a small, young company looking only to keep moving, it can prove to be disastrous for a big and well-established organization. Why? Simply because the adrenalin approach does not work well when the scale of operations and the number of people involved, both customers and employees, is much higher. In the latter case an organization has to bank on standards, systems, processes and procedures. It is next to impossible to run a company with many clients, many employees and many orders with a process-independent structure.

Consider a small software company with about five clients and about eight software developers. In such a scenario, it is not only convenient but also more sensible to let work flow on the basis of each individual's time schedule and availability. Also, deadlines can be kept in mind and projects can be stopped or started based on these. On the other hand, imagine a software company with five hundred software engineers and fifty clients. It will be virtually impossible to manage the entire operations unless some standard procedures and project management techniques are used. Quality issues, timelines, testing and debugging, documentation and a whole lot of other areas would have to be addressed and that can be done only with some industry best-practices and procedural benchmarks in place.

Now come back to the discussion on the management approach of entrepreneurs. An entrepreneur would most probably start with the small scale of operations we mentioned in the example. With his or her drive and ability to pump in boundless energy into the team, the entrepreneur will successfully lead the company towards a profitable path and growth. However, this growth continues only till the time day-to-day operations and clients can be handled on an individual scrutiny level. The model for running the company changes drastically when the company goes beyond a certain threshold level of scale and size, which is when the people of the company along with the management have to invent new and professional ways of managing this growth.

It is exactly at this stage when entrepreneurs face the highest risk of managerial obsolescence. More often than not they continue to work on the same principles and models that they followed during the start-up stage. Moreover, being the architects of those models, it becomes even more difficult for them to accept the limited applicability of these models and let go of them at the right stage in their company's life cycle.

Here is another example. This deals with the human resource management of an organization. How does an entrepreneur manage his or her people and retain them even in the worst of times? This is an area we have discussed before and will find relevance under this topic.

Most start-up business leaders are deeply connected with their immediate teams and regularly inject them with drive and commitment through personal relations, a shared vision and regular communication. They follow complete transparency and minimal hierarchies. It is typical for an entrepreneur to gather together his or her small team in the event of a major decision or a crisis. These young organizations thrive on this participation and direct contact with the top management. Sounds awesome and exciting, doesn't it?

But what happens when these organizations grow in number? Will an entrepreneur be able to communicate equally well with one hundred employees as he or she did with five? This obviously means that the organization's human resource management has to go through a metamorphosis that entails the formal introduction of recruitment, appraisal and administrative policies – policies that most start-up business people are unaware of. As an outcome, the company becomes a haphazard combination of big-company policies and small-company flexibility, thus leading to confusion in the overall HR dynamics.

The desire and habit of an entrepreneur to manage the team through personal relations becomes unfair to most team members since the direct observation of and mind space allocation to each individual becomes virtually impossible. This causes judgmental and ill-informed decisions leading to severe dissatisfaction among the people.

Even in a case where the entrepreneur creates HRM standards and ensures the development of a formal personnel department, some handicaps continue to exist. With the introduction of middle management in the company, the single most crucial edge of an entrepreneur is also lost - that is the ability to drive people beyond all logic only through personal example and charisma. Entrepreneurs now have to depend on management hierarchies to send their message and philosophy across to every member of the organization. And this is something they have probably not been accustomed to. On the other hand, brilliant managers have the skill to keep the entire organization committed by effective delegation and management of people through people.

The aforementioned examples highlight the tremendous change that a start-up company goes through as it moves ahead on its growth curve. It becomes imperative for an entrepreneur to change management techniques and methodologies and evolve with the organization. It is at this phase in your business that you would have to come back to the existing schools of management thought and run your company on widely accepted business practices. I resist myself from discussing various areas of keen importance as they do not fall within the scope of this book. You will find several sources of knowledge when you reach this point in your entrepreneurial life.

The transition would not be an issue at all for those who have many valuable years of experience behind them before they jumped on to the entrepreneurial bandwagon. For example, Ashok Soota created MindTree, the well-known IT services company, after he had headed two large corporations. Obviously, his experience and knowledge would overcome any possible hurdles on the way of MindTree's growth. But for those of you who are still very young in the corporate society, the willingness and attitude to enhance your own skillset along with the scale and size of your company will be critical for the long-term success of your organization. From pure- play sales and survival management, you will move into the realm of organization-building, process-based management and brand equity.

And all this would offer you the same level of excitement that your first day at your office or factory did. In fact, this is the most wonderful aspect of entrepreneurship.

That you have read so far without losing your focus on this topic is in it self a powerful indicator of your patience, eagerness and proof that yours is more than just a passing fancy in the world of start-up businesses. It is a good sign. It is now that you have to spend a few days with yourself and do some internal analysis. I repeat something that I mentioned earlier – do not waste precious time just thinking and planning. If you are determined to build a life around your ambitions and not just pure need, some reliance on your gut feel is absolutely essential. Decisions like these can never just be logical and defined. They always involve a factor of personal desire.

A word of caution. Be very careful before you pull the plug on your existing occupation. This is especially for those who have many responsibilities and a strong need for a regular pay packet. I emphasize once again that starting your own enterprise is not as risky as it sometimes seems to be, but gestation periods and time lags between sowing and reaping certainly exist.

But for those of you who have age on your side and comparatively lower levels of responsibility, do not wait too long. I have known many people who discuss their plans to start their own company every time they sit and drink beer with their friends. And they do this for five to six years, every weekend. They never really start their own companies. You have to promise yourself that you won't be one of them.

And what are you really waiting for anyway? No one will ever come to you with a few million dollars and a great business idea and request you to take the initiative. You will have to work your way to it. For anyone who wishes to discuss his or her business plan with me, I will be happy to assist. For more information, consultancy, white papers and my contact numbers, please log onto www.vineetbajpai.com. It will be a pleasure to help.

I sincerely hope that this book has been of some help to all of you. I also pray that one day this book is able to inspire another Dhirubhai or Henry Ford. What else can an author ask for?

Your company will be like the ship that is under your captaincy. When the ship hits stormy waters, the captain is always the last man standing on board when all have others have left, fighting to keep his vessel afloat. If the vessel goes down, a lot of captains go down with it. On the other hand, successful ventures of this ship would just ensure that you are the one right on top… with recognition, money, power and fame. This is why I sometimes say – there is no ship like entrepreneurship!

All the very best! Success and spirit.

Anyone who thinks my story is anywhere near over is sadly mistaken.
— Donald Trump

CHAPTER 8

What NOT to Do in Your Young Company — The 20-point list

A hero is someone who understands the responsibility that comes with his freedom.
— Bob Dylan

1. Do NOT count your chickens before they hatch! No order is yours till you get the advance cheque, no money is received till it gets transferred into your account and no employee is recruited till he shows up at 9:30 am on the joining date. Don't ever overestimate projected revenue and never underestimate costs. This will always allow you to be on a secure cash position. In other words, avoid expenses that you may make based on expected receivables. You will be surprised to see how many such 'expected' payments get delayed (or bad!) by months.
2. Do not overspend on mass media advertising until you are reasonably

sure of the target group you are reaching. Marketing expenditure is the quickest and surest way of burning through your cash in no time. Even if your business is advertising intensive, be very careful in selecting the agency and the media.

3. Never rebuke an employee in the presence of other colleagues. This is one of the fundamental teachings of HR gurus. However, break this principle whenever you identify a team member who is the epicentre of unhealthy organizational politics or has even remotely compromised on integrity.

4. Even if you yourself are a chain smoker, insist on your workplace being a no-smoking zone. Allowing people to light cigarettes inside office premises displays poor corporate etiquette and is a serious nuisance for the non-smokers. A point as basic and simple as this is being mentioned here only after I witnessed numerous young offices practicing unbridled smoking in the garb of keeping the office alive and free.

5. Avoid the use of casual or poor language even within your team. Remember, your organization will take the shape of the mould you provide.

6. Don't ever behave like the owner of the company (if you are running a limited company, you won't be the owner anyway). Always take on the role and behaviour of a CEO or chief facilitator. You must understand that most people want to work for a company and not an individual.

7. I am all for office being a fun place. I try so hard to make that happen even in my own companies. But don't ever let your office become a wild party zone. A lot of times when you bag a big order or when you suddenly collect a lot of money, some of your teammates may suggest a harmless beer evening at office. It might gradually become a whisky evening, so on and so forth. So treat your workplace like a temple. Take the team out for beer, but let the sanctity of your office remain untouched. It is only years later that you will realize the benefits of this discipline.

8. Don't keep yourself last on the salary list. It is a common tendency among entrepreneurs to believe that they have no professional or moral

right to withdraw money from the company's account till they have settled some more pressing expense heads. This is a flawed approach. You must make it a point to pay yourself before you pay anyone else – no salaries, no bills, no fees. There are some deep-rooted reasons behind this. Firstly, with the resource constraint that you would be working with, paying yourself last would almost mean never paying yourself. Secondly, it is human tendency that external pressures to earn money from the market (e.g. the threat of your phone lines being disconnected) are much stronger than your own financial need. So you may not push yourself over the edge for your own salary but you will certainly do it to keep the phones working. As a result, you will just work towards earning more revenue. Lastly, your pay packet will keep giving you a sprinkle of immediate gratification through your long, gruelling start-up journey. It really helps keep the fire burning. I've been through it.

9. Do not try and deep-dive into every process and every order of the organization. Learn to delegate responsibility and authority and you will see the organization becoming a much more efficient machine. Obviously, this rule cannot be implemented for the first few months when you have to proactively intervene and get the standard operating procedures in place.

10. Never hide information from your key people. Some of your accountants may suggest a careful screening of financial information. Although this is not completely wrong, share as much with the second tier of leadership in your organization as possible. Remember, complete transparency leads to complete trust.

11. Never bite more than you can chew when it comes to picking up orders. Although it is important to push the bar a little higher every time you go out to gather work, it is equally important to understand the resources you will have to plug in to fulfill those commitments. I have seen complete decimation of some companies that could not deliver assignments and eventually lost millions.

12. Stop people from playing computer games or logging-in to social networks in office. This may sound like regimentation, but you will realize that hours can be wasted easily if you don't put a stop to it. And

if you own a services business, hours mean raw material!

13. Do not keep a distance from your people. A lot of business owners I know purposely engineer a gap between the employees and themselves. This not only restricts communication but also damages their allegiance to you. Jump into the crowd and be a people's person!

14. Try and stop the formation of small informal groups within your team. This would become impossible when your company reaches a bigger scale and size, but guard against it till your team is large enough. Your initial set of colleagues should be one big team and one big group. This way you will drastically cut down all chances of organizational politics creeping into your young and fragile company.

15. Do not forget your investors under any circumstances. If you are working with passive individual investors you will be very prone to get involved in day-to-day business pressures and overlook their presence on many occasions. This could be dangerous! You need to remember that even if the investors have transferred all the money to you and are not questioning you aggressively, they sure are watching you sharply from a distance. Even otherwise, they were instrumental in nurturing your company when it needed it most, and you owe a lot to them.

16. There is a popular Hindi saying originating from the north Indian business community – *Gussa khaaya, maal paraaya.* This simply means – lose your temper, lose your money! Getting angry is not an option for entrepreneurs. Losing your cool would just make you more vulnerable and take away your entire professional aura. Eventually, you end up losing the very money you are working and fighting for. Even in the worst of times, be stern, be assertive but never be in rage.

17. Don't be ruthless in putting performance pressure on your sales people. It is very possible that the pressure on you to earn revenue gets passed on multifold to your sales team. Keeping the sales force aggressive is different from resorting to high-pressure tactics to convert orders. Make the sales team completely accountable, but remember that the going will be tough for them too. They would be trying to sell products and services of an unknown company to completely unknown customers.

18. Don't try and lead everyone by example every time. You cannot always be the first one to enter office, write all the reports, not take any holidays and leave office the last. It is good to give your dream your best, but don't try to be superhuman. Moreover, your team has to learn to be responsible and disciplined even in your absence.

19. Do not compromise on your health. This may sound like a grandmotherly advice to you, but it is of utmost importance. Remember, your ability to work fourteen hours every day will be your biggest asset, and even a three-day stretch of illness can lead to losses. So take your meals on time, get good sleep and keep yourself as entertained as possible.

20. Never lose sight of your goals and never get disheartened. There will be several occasions when you feel everything is going wrong. But don't forget, it really is the darkest before dawn.

Until we meet again, may God bless you as he has blessed me.
—Elvis Presley

"BAJPAI... INSTILS IN THE READER THE THOUGHT THAT... HE TOO CAN DO IT."
–OUTLOOK BUSINESS

"A MAN WHO WITH JUST RS.14,000... FORM[ED] ONE OF THE COUNTRY'S LARGEST DIGITAL MEDIA COMPANIES..."
–FINANCIAL EXPRESS

"VINEET BAJPAI...THE SELF-PROPELLED NEO-TYCOON..." –THE TIMES OF INDIA

A POWERFUL GUIDE for aspiring entrepreneurs, the book handholds the reader through various steps and tactics of building an organization from an idea. It tells the reader that a company is created out of one dominant ingredient – the human will.

The book discusses critical topics of idea generation, fund-raising, venture capital, go-to-market strategies and leadership. It also explores the human aspects of being an entrepreneur – the struggle, the ambition and the perseverance. It has a gritty and street-smart flavour that offers most realistic and down-to-earth strategies.

If you do not hail from a business family, you are not a Harvard drop-out and you don't even have a world-changing innovation... and yet you dream of building your own company one day, *Build from Scratch* will be your soul mate.

VINEET BAJPAI is one of the most celebrated entrepreneurs and young CEOs in India today. The companies he founded and leads, MAGNON\TBWA and MAGNON E-GRAPHICS, are among the largest digital agencies in the country. Vineet has been dubbed as 'India's New Media Poster-boy' by Silicon India magazine and was called "...the Spiderman of the web browser..." by a special supplement of Forbes. He is the winner of the 'Asia Pacific Entrepreneurship Award 2011' and the 'CNBC TV Mercedes Benz Award 2012'. He is the author of the bestseller *The Street to the Highway*.

Elevate Your Life. Transform Your World.

JAICO BOOKS

www.jaicobooks.com Entrepreneurship

ISBN-13: 978-81-8495-291-9

₹ 299