



Expert Speak

Why Today's Entrepreneurs Can Risk it

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As India becomes the third largest unicorn hub after the US and Chinese markets, there are myriad factors that have facilitated this unprecedented growth. What are these and will the trend sustain? Learn about the ever-changing business landscape, dynamic market needs, the growing community of like-minded startup enthusiasts, and how early-stage startups can leverage the current boom in their favour from Raghunandan G, Founder and CEO, Zolve, as he shares learnings from his experience.

The pandemic-induced global crisis affected billions adversely – multiple businesses succumbed while few dared to tap into the emerging opportunities. However, despite the pandemic, the entrepreneurship ecosystem in India is leaning towards a positive trend and may prove to be crucial in the economic recovery of the country, generating large-scale employment opportunities. As per *Invest India*, India has emerged as the third largest ecosystem for startups globally as of March 2022.¹ The evolution of the ‘Indian startup ecosystem’ is marked by exponential growth and innovation, particularly in the period ranging from 2015-2021, with a 9X increase in the number of investors and 7X growth in both funding and the number of incubators.² What does this mean for entrepreneurs and how can they leverage this?

A Decade of Trends

In my professional journey as an entrepreneur over the last decade and more, I have closely watched the startups that have emerged, and the ways in which the industry has moved and adapted. There have been significant shifts in terms of the nature of businesses, the talent forming the backbone of these startups, the available funding, and the evolving customer mindset. For instance, between 2010-2016, several offline businesses went online. It was harder to find talent as people were risk-averse, and it was difficult to convince someone in a stable job to quit in favour of a startup. There were few options covering early-stage seed funding and one had to leverage any and every opportunity to get going. Due to a lack of trust (that only comes through experience), people steered clear of testing the startups.

The period from 2016 onwards saw an upsurge in hyperlocal businesses, leveraging digital platforms to cater to their ever-growing consumer base, and a growing stronghold of crypto and blockchain firms. Talent acquisition got easier as people from highly reputed global firms (like Wipro, Infosys, TCS, Google, Facebook, Walmart, etc.) felt encouraged to leave their stable jobs and be a part of the startup growth story. So, while back in 2010, we at TaxiForSure struggled to build a team, we saw that it suddenly became easier to gather like-minded people from this

¹Invest India. National Investment Promotion and Facilitation Agency. *The Indian Unicorn Landscape*. Retrieved from <https://www.investindia.gov.in/indian-unicorn-landscape> on April 12, 2022.

²Tbid

readily available talent pool. At the same time, with a significant inflow of capital and funding opportunities in the market, it also got challenging to hold on to versatile talent. People looked to grow and experiment on their own.

Looking Into the Here and Now

The present era, specifically 2020 onwards, marks the entry of Indian giants into the startup arena – with Tata Group building the super-app ‘Neu’, the Ambani’s aggressively acquiring promising startups, and real estate companies exploring their options in app-based tech startups. To top it all, startups have gained societal acceptance like never before. Going beyond a handful of trusted brands, people have begun to embrace and engage with startups for all they offer. Take the example of some of the biggest sporting events like the Indian test matches, Indian Premier League (IPL) or FIFA World Cup. Once sponsored by established corporates like Kingfisher, Sahara or DLF, these events are now backed by relatively new entrants like Byjus, Unacademy, Cred, Upstox, etc. This only goes on to underscore the growth and significance of startups in India within the last 10 years and the long way we have come in much shorter timelines, when compared to the US and China.

The last year, in my view, is also a major milestone with significant capital pouring into the ecosystem. The IPOs³ (Initial public offerings) in 2021 signalled a massive change in terms of the positive investor sentiment and the availability of capital with 63 companies collectively raising ₹1.2 trillion through IPOs, making it the highest amount ever raised in a single calendar year.⁴ Specialised funding programmes like Sequoia Surge and Accel Atoms by well-established VC firms, government-funded incubation centres, seed programmes covering tier-1, tier-2, and tier-3 cities across the country, and even on-campus incubation centres for students promise a smoother journey ahead for these startups. Moreover, the IPOs have made startups a household name and their widespread media coverage even by mainstream media houses like CNBC and ET, have them well-entrenched in the Indian ethos.

³A company which is not listed on the stock exchange announces **initial public offering (IPO)** when it decides to raise funds through sale of securities or shares for the first time to the public. Once listed on the stock exchange, the company becomes a publicly-traded company and the shares of the firm can be traded freely in the open market.

⁴Mirchandani, S. (January 1, 2022). 2021: A blockbuster year for public offers despite hiccups. ET Bureau. Retrieved from <https://economictimes.indiatimes.com/markets/ipo/fpos/2021-a-blockbuster-year-for-public-offers-despite-hiccups/articleshow/88627581.cms>

Paying it Forward

While funding no longer appears to be a challenge, successful entrepreneurs have opened doors to mentorship as a means for “paying it forward”. During our times, there was no one to share insecurities or discuss challenges with. But now, things have changed immensely. Going beyond angel investing, there is a sense of camaraderie, whereby we aren’t just investing money, but also our time to guide and mentor. We have opened our networks to budding entrepreneurs seeking guidance.

All these factors have collectively reduced the probability of failure and more people are willing to take the risk of starting out. More so, even in case of a failed venture, these young entrepreneurs are absorbed within the network in other roles due to faith in their talents, unlike the olden days when if a venture failed, you probably had to seek your previous job again.

Market is Always the Best Teacher

Changing trends have also affirmed that people are willing to experiment, take risks, engage with customers and investors, and pivot when the need arises. One may have an idea, but if a market study suggests that a bigger opportunity lies elsewhere, one takes it. Needless to say, it is easier to pivot when you are a small company, but even the larger firms have not stayed behind. Zomato is one such example



which, after being a restaurant discovery and rating platform since its inception in 2008, pivoted to offering food delivery services only in 2015 soon after Swiggy showed the way. Similarly, Paytm moved to offering online payment services, PhonePe facilitated UPI (Unified Payments Interface) payments and turned to ICICI bank as its second official UPI partner when Yes Bank got into trouble. These live examples instill the confidence in new-age entrepreneurs to dive in and course-correct, basis their learnings from the market scenario.

Mitigating Risks and Showing Up Prepared

Although entrepreneurship has always been an existent trend in India, it has become more pronounced now due to these varied factors. This unique opportunity to create wealth for self and the nation alongside a robust angel investor network comprising VC and PE firms, has encouraged the youth to explore uncharted waters.

However, entrepreneurs, occasionally, are so caught up in their idea that they forget to do the legwork of connecting with their consumers.

“ By focussing solely on developing the product/service in a silo, without predicting the market need, one may end up building something which the market may not necessarily want. The repercussions are longstanding, as such entrepreneurs may eventually give up altogether or burn out.



Those who do the legwork, on the other hand, are survivors who bounce back, figuring out what exactly went wrong in the process. Here are my suggestions on what could work in favour of entrepreneurs:

- **Research, engage, and iterate:** Understand the market trends before venturing into product development. Conduct online surveys, engage with your investors, and discuss the solutions/possibilities. Customers know what they want, and hence staying close to the market may give one a competitive advantage. Loop in the customers during product development as a focus group. Seek their inputs, iterate rapidly, and conduct launches in a closed group.
- **Communication is key:** Everyone has a tipping point, so one needs to start believing that they are not alone. I have noticed how people don't want to talk or discuss their ideas even with their sponsors, mentors, advisors, or teammates for fear of leaking it out or appearing weak. Keeping the insecurities to oneself and absorbing all the pressure alone often leads to one being lonely and is not conducive to growth in the long run.
- **View hiring as an investment:** Build your team as an investment and not an expense. Great teams multiply and unlock the bandwidth as opposed to sucking it up. One can raise as much capital as they need but cannot create time for themselves. Retaining good talent, keeping them motivated, and delegation of responsibilities are some of the nuances to look at so one can focus on what they love most – building a great product.
- **Build with an outside-in perspective:** One of the common mistakes made by people is losing focus of the outside world as they build. One needs to keep a tab on it and move with the times, even when they are building for the 'current' market as the dynamics change consistently. It will be challenging, but necessary to keep your product relevant.
- **Seek help from senior leaders and domain experts:** It is imperative to understand differing viewpoints and seek help from executive coaches rather than doing everything by oneself. People are warming up to the idea and are investing in coaches/mentors even for their senior leadership teams. Throwing money at a problem is never a solution.
- **Short-term goals vs long-term vision:** It is always a tightrope and one ought to first look at surviving short-term through effective management of time, capital, and resources to truly sustain the long-term vision.
- **Understand the product-market matrix:** One needs to be mindful of the metrics

that the investors want to see and be in sync in terms of the MVP (minimum viable product) and funding. People aren't really well-versed with the definition of MVP, and losing sight of that, entrepreneurs end up consuming a lot of time and exhausting all their resources in trying to execute 'the' product they envisioned. However, if they were to start with a rudimentary plan, sought feedback, and kept enhancing it, it would posit them better for success. In terms of investors, one needs to know the metrics – is it the revenue numbers, number of customers, or something else altogether?

- **Leverage data analytics:** Data science is perhaps the single biggest competitive advantage that companies have as the competition will never get to know 'why' you are doing 'what' you are doing. Today's intensely competitive environment almost necessitates the usage of this 'new oil'.

- **Stand on the shoulders of giants:** The only way to see further is to stand on the shoulders of giants. There are enough role-models available today to learn and seek advice from, most of whom are quite approachable and willing to "pay it forward". Communicating with like-minded entrepreneurs comes with a sense of contagious enthusiasm and mutual learning.

- **Avoid playing on the extremes:** Some entrepreneurs are extremely focussed on brand building while others aren't interested in spending the big bucks there. Some founders dilute heavily at a very early stage, so when the company actually grows, they do not have anything meaningful to hold on to. Others are completely averse to it as they aren't able to get good employees or investors onboard.

It is All About the Journey

As a founder, one really does not know how far they can get. Everyone starts with a dream and a vision of scaling greater heights, but no one truly knows how it will unfold and evolve. This is because there are several factors impinging on one's success and there is no way one can factor in all the uncertainties. I don't think Apple, Amazon, Uber, or Flipkart ever knew if they would get this far. One only starts with a solution to a problem they see at hand and cannot



possibly have the vision to know if it is a universal problem. Some of the questions that play on one's mind as an entrepreneur are: Is the market big enough for my product? Will I be able to capture the entire market with my product? How will the market change with our presence? For instance, 10,000 people may face a particular problem and it may sound big to an individual, but it may still not be a big enough market. Similarly, market needs change constantly. For example, when we started TaxiForSure, people used cabs once or twice a month, but nowadays people use taxis five-six times a day.

Given the uncertainties, therefore, the more one is in touch with their vendors, partners, and customers, the more gaps they can fulfill. The basic premise is to go with the times and stay informed. Data speaks volumes and gives insights that can be leveraged to improvise, and over a period of time you will see that you had a pack of dominoes that are eventually falling into place. This happens mostly in hindsight. As Steve Jobs said, "You can't connect the dots looking forward; you can only connect them looking backwards. So, you have to trust that the dots will somehow connect in your future."

Realising the Vision

There is much cause to celebrate and yet be mindful of all that is left to achieve given the potential of the Indian startup ecosystem. We are still in the race to get our first US\$100 billion firm, whereas the US, China, and the LATAM (Latin America) regions have their share of these. In my view, for the startup boom to continue in India, entrepreneurs ought to chase opportunities that are uniquely Indian in their context, given the talent pool that could translate into effective teams, availability of funds, and governmental support, both from the centre and states.

Certain industries that show immense promise are fintech, whether it is related to neo banks, payments or lending, along with edtech and healthcare sectors thanks to the tailwinds during Covid-19, and SaaS firms with the underlying philosophy of building for the world from India.

To conclude, as entrepreneurs we ought to remember a few things:

- As founders, we have the pulse/depth of the market while the investors have the

breadth, and depth always supersedes the breadth. It is good to learn from their experience but equally important to say 'no' when you know best about what you are doing, even in the face of conflicts.

- Strike a balance and learn to let go. As the company grows larger, so do responsibilities of setting the culture, building a reliable team, and dealing with the board and investors.
- Stay agile. Nobody gets it right the first time, but the right processes, systems, and teams go a long way.
- There is no evaluation criteria to determine the timing for when to persevere, pivot or put an end-date to what one has built. But as a founder, you will always know the health of the startup. Exits aren't always easy because gradually, the startup becomes your identity. And when that identity shifts, it is hard to come to terms with it.
- View this as a journey towards self-discovery and not a risk, irrespective of success or failure. This is because learnings along the way are very real, helping one to work towards their motivations, aspirations, strengths, and challenges.



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