

KICK-STARTING THE START-UPS – A CASE STUDY

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Abstract

India is experiencing a start-up revolution as never before, with the rate of new venture formation reaching a crescendo. In order to encourage entrepreneurs, the Government of India announced a start-up policy named “Start-up India” in February 2016 with the intention of nurturing and promoting start-ups in the country. Not to be left behind, the Government of Karnataka too announced a start-up policy in April 2016 named “Karnataka Start-up Policy 2015-2020”. However, despite the high level of entrepreneurial spirit displayed by entrepreneurs and the support provided by the Central and State governments, we are seeing a very high rate of failure amongst the start-ups. Here is where an innovative start-up in Bangalore is trying to bridge the gap. This start-up’s business is to kick-start the start-ups, in helping them get access to the entrepreneurial eco-system and the much needed mentorship. This case study tracks the activities of “*Thinkstreet Technologies Private Limited*”, a start-up incorporated in December, 2014 and involved in providing market intelligence services, start-up advisory, alliance services, and business development services for start-up companies looking to make a beginning in the Indian market. The case study also gives an insight into the untiring efforts being put in by Mr. Uday Birje, Co-founder and Director of Thinkstreet

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Technologies in mentoring entrepreneurs and in promoting entrepreneurship at the college level across the country.

Key words: Start-ups, start-up ecosystem, leadership, mentor, innovation, venture capital

JEL classification: J3, R11, B21, G10

Objectives of the Case Study

The objective of this case study is to familiarise the reader with what is happening in the start-up ecosystem in India, enlist the reasons for the high rate of start-up failure in the country, and to highlight the efforts being put in by companies such as Thinkstreet Technologies and individuals such as Uday Birje (Co-founder and Director of Thinkstreet Technologies) in promoting entrepreneurship and providing mentorship to entrepreneurs, reducing the risk, and ensuring that their start-ups eventually succeed.

Introduction

Of late, India has garnered global attention and ranks third amongst the global start-up ecosystems. 3 to 4 start-ups are being established on a daily basis in India, and the country received a total start-up funding of US\$ 5 billion in 2015. All this attention that the country was receiving in the start-up world prompted Shri Narendra Modi, the honourable Prime Minister of India to state *“I see start-ups, technology, and innovation as exciting and effective instruments for India’s transformation”*. Guided by the Prime Minister’s vision, the Government of India, in February 2016, announced the Start-up India policy for nurturing and promoting start-ups in the country.

Start-up India is a flagship initiative of the Government of India, intended to build a strong eco-system for nurturing innovation and start-ups in the country that will drive sustainable economic growth and generate large scale employment opportunities. The Government, through this initiative aims to empower start-ups to grow through innovation and design.

According to the Global Ecosystem Report of 2015, Bangalore has between 3100-4900 start-ups and has achieved the second highest growth rate for exit volume and Venture Capital investment among the top twenty start-up eco-systems in the world and as a result, ranks amongst the top fifteen start-up destinations in the world.

In view of the above, in April 2016, the Government of Karnataka announced the Karnataka Start-up Policy 2015-2020 and is the only state in India to have a start-up policy.

The vision of the Karnataka Start-up Policy is “to create a world-class start-up eco-system in the state through strategic investments and policy interventions, leveraging the robust innovation climate in Bangalore”. The goals of the policy include: stimulating the growth of 20,000 technology based start-ups including 6000 product start-ups by 2020 in Karnataka, achieve creation of 6 lakhs direct and 12 lakhs indirect new employments in the sector, mobilize Rs. 2,000 crores funding for investment in start-ups through Government intervention alone and facilitate generation of at least 25 Innovation Technology Solutions with a social impact in sectors like healthcare, food security, clean environment, and education for all, etc.

Entrepreneurs who fail, seem to lack the depth of experience and the range of leadership skills required to transit their start-up ventures to success. This is despite the fact that the country has a fairly decent entrepreneurial eco-system to nurture and support entrepreneurs. Capital – either as debt

or equity, is available in plenty. Private Equity, Angel and Venture Capital investors are keen to invest their money in innovative start-ups, with a hope of reaping rich benefits from their investments in the future. But, there seems to be a gap between the entrepreneur and the entrepreneurial ecosystem. This is where “Thinkstreet Technologies Private Limited”, a start-up company itself, steps in and is making an attempt to bridge that gap. Their business is to kick-start the start-ups.

Thinkstreet Technologies was incorporated in December 2014 and provides services to start-up companies, both domestic and foreign, wanting to establish their presence in India. The founders of the company are successful entrepreneurs and intrapreneurs, with each of them having decades of experience. The company provides market intelligence, start-up advisory, alliance, and business development services to start-ups.

The Evangelist

Uday Birje, one of the Co-founders and Directors of Thinkstreet Technologies, is a successful intrapreneur and entrepreneur himself, with close to 3 decades of experience in the Information Technology, Telecommunications and Networking industries.

In 2014, Uday Birje co-founded Thinkstreet Technologies to address the growing needs of early-stage and start-up companies in the areas of business development and go-to-market strategies.

Additionally, he is also involved with the New Age Incubation Network (NAIN), an initiative of the Government of Karnataka’s start-up policy, as Chief Mentor. Uday spends a lot of his time delivering talks and lectures on entrepreneurship to students of Engineering Colleges and B-Schools across Karnataka and India. He firmly believes that if India has to benefit from the entrepreneurial

revolution, we will have to sow the seeds of entrepreneurship in the minds of our young engineers and managers at a very early stage in their educational career.

According to Mr. Priyank Kharge, IT/BT and Tourism Minister of the Government of Karnataka, NAIN has helped government institutions to encourage student projects through mentoring and monetary support. NAIN supports student projects in rural areas with a funding of Rs. 3 lakhs per project and the results are already showing – funding provided to a 180-student group and incorporation of 70 start-up companies.

He is also involved with the National Association of Software and Services Companies' (NASSCOM) initiative of 10,000 start-ups as a mentor. 10,000 start-ups is a vision, which is committed to incubate, fund, and provide ambient support to impact 10,000 technology start-ups in India by 2023. The aim is to nurture the hatchling start-ups into full fledged technology stalwart companies, by giving them support via access to start-up incubators, accelerators, angel investors, venture capitalists, start-up support groups, mentors, and technology corporations.

Uday is of the opinion that our entrepreneurs need to broaden their outlook and focus on solving not local problems, but global problems. He feels that the technology backed innovative business ideas of entrepreneurs should have a high impact on society in areas such as healthcare, education, food security, and environmental protection.

He feels that most of the founders of start-up companies are engineers, who are good in technology, but are not exposed to the full range of leadership skills. Moreover, most of the times, they are found lacking in management skills such as Strategy, Marketing, Finance, and HR. His opinion is that most of them, driven by a desire to make it big and earn big profits, start their ventures by imitating

successful ventures and with no differentiating factors to their credit. As a result, the company is neither able to scale its operations nor able to garner a significant market share. Without a scalable business model, the entrepreneur is not able to get out of the vortex of top line revenue, expenses, market share, profits, and the return on investment expectations of investors. As a result, the entrepreneur is forced to close down his company. Added to this is the greed and eagerness of Venture Capitalists who are willing to fund a technology based venture without going through the process of conducting a detailed due diligence. After all, Venture Capitalists (VC) have made the business of taking risks as their mainstay. Since the VCs work on a model of high risk and high returns, even if 3 or 4 ventures out of 10 that they have funded succeed, they make their money. And, VCs are quite ruthless when it comes to business. Add to this is the nexus between the VCs and entrepreneurs to jack up the valuation of the start-up companies for mutual benefit. On this topic, Uday feels that issues like Business Ethics and Corporate Governance are being side stepped by VCs and entrepreneurs alike. Further, Uday is of the opinion that entrepreneurs should look beyond starting ventures connected to E-commerce. He feels that though E-commerce is currently driving investments, the value add quotient of such ventures is quite low. His advice to budding entrepreneurs is to start looking at technology based ventures that are capable of making a high societal impact.

Another advice Uday has for budding entrepreneurs is to not fall for the trap of burning cash to build a customer base. He feels that the disadvantage of burning cash much early in the lifecycle of the company is that once customers get used to low prices at the early stages of the company, it becomes extremely difficult to increase prices at later stages. As a result, profit pools get eroded, putting

tremendous pressure on the company's financial resources. To substantiate this point, he quotes the example of Snapdeal – an e-commerce major, which laid off more than 600 employees in February 2017 in order to cut costs and conserve cash. The founders, Kunal Bahl and Rohit Bansal, wrote an email to their employees owning up responsibility for the layoffs. In the email, Kunal Bahl wrote “we started growing the business before the right economic model and market fit was figured out. A large amount of capital with ambition can be a potent mix that drives a company to defocus from its core. We feel that happened to us. We started doing too many things, and all of us starting with Rohit and myself, are to blame for it”.

The country needs more companies such as Thinkstreet Technologies and committed individuals such as Uday Birje to provide additional fillip and direction to an entrepreneurial eco-system that is still nascent and changing fast. Government, business and society will have to exercise caution in influencing and framing policies concerning start-ups as a lot is at stake – capital, jobs. The whole process will have to be transparent and subjective, and based on established ethical standards and good corporate governance norms. Entrepreneurs and VCs should base their decisions on how unique is the business idea and how sound is the business model. An elaborate due diligence on the part of the VCs is a must prior to investing funds in a start-up.

Conclusion

In conclusion, though we are seeing a lot of cash being burnt and scores of start-ups being closed, resulting in job losses and emotional turmoil, there is a silver lining beyond the dark clouds of entrepreneurship that the country is witnessing. A fast growing Gross Domestic Product (GDP), coupled with availability of skilled technical manpower, technology, easy availability of capital,

incubation services, accelerator programs, infrastructure, supportive government policies, and the youthful vigour of the country make the right recipe for the current entrepreneurial revolution to further evolve into the leading destination of the world

From being the fastest growing start-up eco-system in the world and ranked third amongst the global start-up eco-systems, India has the potential to occupy the top slot in the global start-up eco-systems, overtaking established start-up eco-systems such as USA and UK.

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