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A Perspective on Entrepreneurial success

Chandan Dutta
Asst. Professor,
Don Bosco Institute of Management,
Kharghuli, Guwahati, Assam - 781004
Email: chandan.dutta@dbim.ac.in

Entrepreneurship seems to be the buzzword these days, at least in the business world with all that talk about "Make in India", "Make for India", "Look East Policy" and the like. In my recent past, I do not remember any day when that term, in one manifestation or another, did not go through my thoughts. People will readily agree that the thought of being one's own boss is like heroine; gets the blood rushing and an individual all pumped up in spite of the statistically validated fact that 90 out of every 100 new ventures fail. Successful entrepreneurs unequivocally recognize that success is a natural product of passion. Is following your passion the common thread running through entrepreneurial success? If yes, it is difficult to imagine that a majority of the unhappy 90% who fail were not passionate about what they did. So, there must be factors beyond passion that determine what works and what doesn't work. In a world where "the winner takes everything", failures are quickly forgotten, and the few successes monopolize all the spotlight. It requires economic turmoil to get our decision-makers to identify and work on the causes of these failures. Take the example of the bubble that burst around the turn of the century and the 2007 subprime crisis. That said, it is an arduous task, not only to identify companies that have failed, but also to examine the root causes of their failures. Some enterprises fail due to a lack of business ethics and greed, some due to lack of funds while some others fail due to the absence of a customer centric approach. It's very hard to prejudge a particular cause of failure. The motivation behind this article is to put my perspective on my quest for the "truth" behind a successful entrepreneurial enterprise.

Padma Vibhushan Dr Verghese Kurien, lovingly called the "Father of White Revolution in India", driven by his passion for social development; transformed India from a milk-deficient nation to the world's largest milk producer, surpassing the United States of America in 1998. Bill Gates had a vision that every household should have a personal computer and that vision gave rise to Microsoft Corporation. In more recent times, Ritesh Agarwal, a dropout from Indian School of Business & Finance, identified a list of problems faced by people relocating to a new place and provided a solution through “Oyo Rooms". These examples tell us that most entrepreneurs start a company either to solve clients' problems or to explore individual passions. What these examples do not tell us however is that at any given point in time, there may be many ideas floating around all with the intention to meet similar objectives. Think of Quikr and OLX. The two organizations are fighting to become the Craigslist of India. Microsoft Corporation and Apple Incorporation have long competed against each other. A quick way to deal with these challenges is to try to become the first mover. The success of Microsoft on the PC market and Apple on the smartphone market suffices to establish this advantage. However, being the first moving company also has its drawbacks. The first movers are typically faced with higher development costs and a high degree of uncertainty as to the design of the right product. Imitators and established businesses can circumvent patents and intellectual property and, because of their economies of scale, offer substitute products very easily. Galaxy smartphones as an iPhone substitute may indicate intellectual property and patent violations if one considers the so-called "smartphone patent war" from 2011 to 2013. An obvious follow-up question from this observation: “What is then the right time to start a company?" Before this question can be answered we have to look at another necessary aspect of a start-up, i.e., funding. A successful business requires capital, human resources, and intellectual and physical assets to launch and grow, which cannot be done without sufficient funds.

Reviews of new companies which have become famous show that many of them, in the beginning, depended on what is known as “bootstrap financing” or starting the firm using one’s own efforts and to rely solely on the resources available from oneself, family and friends. At the initial phase of start-ups, Angel or Venture Capital (VC) funds are difficult to come by. While bootstrap funding allows control to remain with the founders, it lacks fund commitment in the future. Furthermore, there is no scope for supervision and guidance by professional investors and experienced entrepreneurs. The good thing about venture capital funding is that in addition to money, it provides a number of valuable intangibles in terms of supervision, review, contact, and so on. Entrepreneurs who opt for VC finding needs to constantly build value in their businesses so that it becomes viable and can sustain itself when the VCs withdraw their investments. Thus, if a new enterprise is to grow and grow rapidly, venture capital or angel investment financing is inevitable. On the other hand, if the desire is to build a self-contained, self-sustained entity with a slow but focused growth, venture funds should be avoided. Whatever be the nature of funding, the value proposition put in front of the investor must be appealing. Jeff Bezos of Amazon.com fame wanted to raise capital to invest in technology for his online retail idea because he knew the kind of value technology would add to his business. Imagine his approaching people to help finance technology in 1996 when the internet was still at a very nascent stage. Instead, he went into a growth spree and requested funds to finance this growth which was easy to obtain. The inclination of the investment community towards a particular sector is a good indicator of where opportunities may lie. Let us now return to the question of when to implement an idea. The right moment is this Zen moment in which the idea and perspectives of the investment community are in harmony. “We did not seek a VC, the VC found us” a friend of mine said while answering one my questions during my investigations. Time is of the essence. Being the first mover; not necessarily.

In addition to passion, money and schedule, there is a range of things that go into entrepreneurial success. Good strategies, value creating business plans, customer orientated marketing plans, solid legal formation, and intellectual property protection mechanisms etc. All of these have dependencies and interdependencies. A common mistake that most entrepreneurs commit is that they serialize these dependencies. A lot of the entities have a gestation period, and it is very difficult to accelerate matters even if we put our best foot forward. Serializing leads to enormous wastage of time and effort. Instead, entrepreneurs should try and take care of as many things in parallel as possible. This allows some of the gestation periods to overlap allowing a much shorter implementation timeline. Finally, to sum up, entrepreneurial success is achieved when an idea, business opportunities, and an entrepreneur’s interests, capabilities and skills, passions, and his commitment are in complete harmony.