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Targeting India

Start-ups targeting India as a market may not have the luxury of entrepreneurial evolution; healthy babies have to be born adults

Ideating Indian entrepreneurs have two choices:

- use India as a production base or target it as a market; or
- create a baby or a dwarf (both are small but baby DNA means scalability rather than income replacement).

The production base opportunity is real but these ventures often have their centre of gravity where the market is – offshore. The market opportunity offers home turf advantage since local dreams are more doable. But despite India's spectacular growth and over 50 per cent of the labour force claiming self-employment, why have the number of babies targeting India as a market not exploded?

I argue that these ventures, like Athena in Greek mythology, who sprung fully formed from the head of Zeus, have to be born adults. Successful ones will have to telescope their evolution by skipping the healthy and iterative 'hypothesis testing' of discovering what it takes to succeed.

Concept arbitrage

Why? Many of these ventures (like team lease) are doing concept arbitrage (bringing what exists in the world to India) and compete with multinationals, which bring powerful opening balances. More importantly, new markets in India have a painful habit of starting at brutally low pricing levels relative to the world – examples are: average mobile revenues of \$9 vs \$56; temporary staffing gross margins half of the 20 per cent outside; and insurance broking margins of 3 per cent vs 8 per cent. Drivers of these low margins are complex but include dispersed purchasing power, ferocious domestic competition, strong MNC interest and shifting regulatory regimes among others.

As part of telescoping evolution, an aspiring high potential start-up needs to do things differently (you may win the rat race, but you are still a rat!). These could include:

Pick the industry carefully. You cannot outspend multinationals or big Indian groups, but you can outrun them. Pick a battleground where your speed, smartness, creativity, passion and market intimacy score over brute force. Voltaire said god is not on the side of the biggest armies but the best

shots. If she's on the other side, think hard and think again.

Execute flawlessly. Showing up is good enough in India these days. Time, price and quality may be more important than strategy; so, focus on organisational plumbing. Don't worry about being the best baker in the world (leave that to MNCs) but focus on being the best baker in the street. It's a beauty contest; you don't have to be perfect; just less ugly than competition will do.

High volume, low price

Don't go native or firangi. India is a high volume, low price market. But price is irrelevant; margin is the key. Don't dollarise your costs like MNCs, which tend to quote their costs, investments and losses in millions of dollars and revenues in millions of rupees! Spending more money than needed is capital-inefficient. But going native without investing in people, technology or brands sabotages scalability. The sweet spot is passing the smell test of a global company with a rupee cost base. As Woody Allen said, the advantage of being bisexual is that you double your chances of finding a date!

Be rational about leadership. Treat your company as a project and not as a child. Recognise that, after a point, the role and skills of a founder may hold it back. More importantly, the Patek Philippe view of entrepreneurship (you don't own a company but merely hold in trust for your children) often leads to a "sexually transmitted CEOship" that makes attracting and retaining talent difficult. Focus on being rich rather than king.

Be patient for the right colour of money. Hold out for a patient partner who understands India and can support execution (forget M&A, cold intros to customers, strategic alliances, *et al*). Don't take five-year money for a 10-year trend. This is tough, given the lack of early stage money, but jumping into bed because of the lack of alternatives seldom leads to fun outcomes.

India is where China was in 1978; the coming tsunami of the next decade will lift even the leaky boats. It offers, as never before, and probably never after, opportunities for a generation of dreamers. May a million entrepreneurs bloom.