

Analyzing problems, challenges and opportunities of Indian Entrepreneurs

[By exploring case studies of IIM-A graduates who tread a path of their own making]

Prof. Satish C. Sharma¹ and Prof. (Dr.) P.C. Kogta²

¹Chairman & Managing Director Maharaja Group of Colleges Udaipur, Rajasthan

²Director, Maharaja Group of Colleges, Udaipur, Rajasthan

ABSTRACT

International economies are undergoing rapid changes in their volumes and approaches. The two forces i.e. globalization and technology are bringing the dramatic changes and which are also responsible for explosive growth of international business and competition. Indian entrepreneurs with their inherent intelligence, drive and hard work had made and are making best use of the opportunities which are made available with the sweeping changes that are taking place in growth of business and globalization. We have many cases of enterprise initiatives of our role models like JRD Tata, G D Birla, Dhirubhai Ambani, Azim Premji, Narayan Murthy, Godrej, Shahnaz Hussain, Shaw Mazumdar and Ekta Kapoor.

In this research paper, I have tried to explore 50 years period (1961 to 2010) of IIM-Ahmedabad graduates. I have selected 10 IIM-A graduates from the period 1960 to 2010, specifically two case studies from each decade. The basic objective in this paper is to know, how these 10 IIM-A graduates thought of differently and rejecting that being a corporate slave, which was the easy option, but all of them accepted challenges, grabbing opportunities and seized their moment. So they would not wake up one day with regrets. Of course they saw markets, opportunities and need gaps. But more importantly, they stood in front of the mirror and saw their true selves.

This paper would be considered an inspiring document for those management professionals who dare to think something bigger and better to do with their talents. This paper would also give them renewed hope and vigor and make them learn how to become successful entrepreneurs.

Key words: Career Progress, Competition, Exploratory Research, Globalization, Historical Background, Problems & Challenges, Tele Sales, Opportunities, Young Entrepreneurs

Introduction

International economies are undergoing rapid changes in their volumes and approaches. The two forces i.e. globalization and technology are bringing the dramatic changes and which are also responsible for explosive growth of international business and competition. Indian entrepreneurs with their inherent intelligence, drive and hard work had made and are making best use of the opportunities which are made available with the sweeping changes that are taking place in growth of business and globalization.

In this research paper, I have tried to explore 50 years period (1960 to 2010) of IIM-Ahmedabad graduates. I have selected 10 IIM-A graduates from the period 1960 to 2010, specifically two case studies from each decade. This paper would be considered an inspiring document for those management professionals who dare to think something bigger and better to do with their talents. This paper would also give them renewed hope and vigor and make them learn how to become successful entrepreneurs.

Objectives of the Study

- a. To know, how these 10 IIM-A graduates thought out of the box and rejecting that being a corporate slave, which was the easy option, but all of them accepted challenges, grabbing opportunities and seized their moment.
- b. To explore problems & challenges faced by these entrepreneurs.
- c. To know about their career progress after their post graduation from IIM-A.

Type of Research

Exploratory Research

Here, I present 10 case studies of IIM-A graduates as successful and renowned entrepreneurs.

PGP'1961 to PGP'1970

1. Madan Mohanka (PGP'1967)
2. Vikram Talwar (PGP'1970)

Case Study 1: Madan Mohanka (Pgp'1967) Venture: Tega Industries

Historical Background

1. Father's occupation: Business
2. Mother's occupation: Home-maker
3. Business Background (if any): Yes, Techno Electric Pvt. Ltd., business of Electric Installation

4. Post Graduation: MBA from IIM-A (PGP'67)

Career Progress

In 1967, Madan joined the family business of electric installation 'Techno Electric Private Limited', and transformed the company into an engineering company. Then Madan did first successful foreign collaboration with Bischoff and Hensel, a German Company which manufactured motorized cable reeling drums. The company achieved a near-monopoly position in the business, and then, Madan formed two new companies

- a. Electro Zavod (India), concentrated on project work for steel & power plants.
- b. Techno Pipe Works, to take up piping projects.

On Aug 24, 1971, Skega, a Sweden company (specialized in the design, development & manufacture of abrasion resistant rubber products for the mining & cement industry), accepted Techno Electric as their representative for India & Nepal for one year, under certain conditions. In 1977, Techno Electric collaborated with Skega & formed a new company named Tega Industries, after government approval. But in 1998, the Skega collaboration ended and Tega was able to start focusing on world market. Today, Tega Industries is the world's third largest company designing solutions in the field of mining equipment, has offices in 12 countries and customers in 43 countries.

Problems & Challenges

1. In the 1970s it took Madan seven years to get government approval for a foreign collaboration. But he persevered with his dream of excellence in engineering.
2. In April 1979, Tega Industries suffered a huge cash loss. In fact, the company's entire capital was wiped out. Tega was unable to pay its employees on due date for the first time. Then with family support the problem was solved.
3. In 1981, Techno Electric went for a sanction for a rights issue but nobody was willing to subscribe for a bankrupted company. Then with the help of Mr. Nadkarni of ICICI, the matter was resolved.

Advice to Young Entrepreneurs

Believe in your product, don't give it up in half way through. Be on it. And the results will be good.

Case Study 2: Vikram Talwar (Pgp'1970)

Venture: EXL Services

Historical Background

1. Father's occupation: Civil Service
2. Mother's occupation: Government Service
3. Business Background (if any): No
4. Hometown: Delhi
5. Graduation: St. Stephen's College, Delhi.
6. Post Graduation: MBA from IIM-A (PGP'70)

Career Progress

In 1970, Vikram joined Bank of America, US and continued for 26 years in 9 different countries. In 1996, Vikram quit BoA, and did nothing for six months. Then he worked for a year and a half in New York with Earnest & Young Consulting, for setting up their technology practice in India. Then In the age of 51, he started EXL Services, for which he got funding from a close contact Gary Wendt, the former chairman of GE Capital. Today, EXL is one of the India's largest BPOs, in which, Vikram owns 6% of EXL, and he never owned more than 12%. The rest is with investors, shareholders & employees.

Problems & Challenges

EXL was started with 3 partners out of whom one partner made exit. One of the company's main clients was Consec, a large insurance company. There was a slight conflict of interest as Gary Wendt became the Chairman & CEO of Consec and then decided to buy our company, as initial funding was being taken from him. So EXL was sold. But soon after, Consec ran into serious problems-in fact it went bankrupt. So Vikram and his partner Rohit bought it back, the problem got resolved. They restarted the company from scratch in 2002 with no clients.

Advice to Young Entrepreneurs

Join a company which does not pay you that much but where you have the opportunity to learn.

PGP'1971 to PGP'1980

1. Chender Baljee (PGP'1972)
2. Shivraman Dugal (PGP'1976)

Case Study 3: Chender Baljee (Pgp'1972) Venture: Royal Orchid Hotels

Historical Background

1. Father's occupation: Business
2. Mother's occupation: Home-maker
3. Business Background (if any): Yes, family's hotel and restaurant business
4. Hometown: Simla
5. Graduation: B.Com from Delhi University.
6. Post Graduation: MBA from IIM-A (PGP'72)

Career Progress

After PG, Baljee joined his family business of hotel & restaurant. With his dad & brother already managing the business, he started his own restaurant 'Fascination' in Simla. In Jan, 1973 Chender taken a hotel on lease (which was not working well) in Bangalore and named it 'Harsha'. Then he opened two more restaurants & a bakery in Bangalore only. In 1987, market crashed, & due to which bakery unit was sold off. In 1999, after fulfilling so much legal formalities, he started constructing a 5 star hotel near Bangalore Airport, for which 17-18 crores were taken on debt. In 2001, the Royal Orchid Hotel was launched. In 2003, Baljee started another hotel on lease in Bangalore & renamed 'Royal Orchid Central'. In 2004, Baljee has taken 'Metropole' on lease in Mysore. By 2004, Baljee has 4 hotel properties & decided to expand to other cities, & signed new projects in Jaipur, Hyderabad & Pune.

Problems & Challenges

1. In Dec 1972, Baljee filled a tender form for 2 hotels in Mysore- the 'Brindavan Garden' & the 'Metropole'. A bid was put in but the previous lessees went to court, so the matter got stuck.
2. In 1985, Baljee decided to go for an IPO. Unfortunately, the market crashed, & nothing could happen. The restaurants closed down due to some lease issues. And in 1987, the hotel staff went on strike. Facing a cash crunch, the bakery unit was sold off.
3. In 1992, Baljee got an opportunity to lease some prime land close to Bangalore Airport. But, again due to litigation, the deal got stuck up & the legal wrangling went on till 1999.
4. With the launch of Royal Orchid Hotel in 2001, along with the shock of 9/11, it was crucial period from 2001 to 2003, as business travel plummeted & so did occupancy of hotels.

Advice to Young Entrepreneurs

Identify the kind of work, you are interested in. Enjoy your work; you won't feel it is an intrusion.

Case Study 4: Shivraman Dugal (Pgp'1976) Venture: Institute Of Clinical Research In India (ICRI)

Historical Background

1. Father's occupation: Army Officer
2. Mother's occupation: Home-maker
3. Business Background (if any): No
4. Hometown: Delhi
5. Graduation: B.A.(Economics) from Delhi University.
6. Post Graduation: MBA from IIM-A (PGP'76)

Career Progress

At the end of the MBA course, Shivraman joined an Anglo-French Company called 'Tatal', which was in fashions with brands like Louise Vuitton and Armani, and worked for 7 years in London, New York and Beirut. In 1983, Shivraman joined a company called Intercraft and set up India's first modern retail chain – Intershoppe. He launched 23 shops in one year and it was a truly entrepreneurial exercise. Shivraman's future father-in-law was not in favor of a job of selling cloths. So Shivraman joined Usha International, owned by Lala Sriram, and became divisional manager, and worked for 6 years. Then he joined HCL. In 1992, he resigned from HCL and set up his own venture 'Orange Technologies' specialized in ERP solutions. Because of cash flow issues, it was extremely exhausting, though company was making good money, he did not have money to expand it. Then he was attracted towards education sector where people always pay fees in advance, so no cash flow problem. In 1996, he brought foreign education into India for the first time and set up 'Wigan and Leigh'. He also brought up non-academic, vocational education for the first time in India which were fashion, design & media. In 2000, Shivraman realized that his business of management education was not growing at fast enough pace and so was born ICRI (Institute of Clinical Research in India). In 2003, he stopped working with Wigan and Leigh, except remaining on the board. Between 2004 and 2007, he set up four

huge campuses, worth 20-25 crores. Now, with 2500 students year, ICRA rakes in Rs. 40 crores per annum.

Problems & Challenges

1. The problem came with Orange Technologies that though the company was making good profit but there was no money to expand it because of cash flow issues. So he decided to shift towards education sector.
2. Then the hurdle came with AICTE approval as government of India raised many questions.
3. With the launch of ICRI, there was a challenge of finding clinical research professionals.

Opportunities

1. British education did not exist in India, so he thought that it is a nice niche to get into.
2. Barring the IIMs, there was no descent education. So, there he saw an opportunity.

Advice to Young Entrepreneurs

Remember, you are not the greatest, you are not the best. It's the team who is generating money and it's an idea - you are all trying to make it happen.

PGP'1981 to PGP'1990

1. Nirmal Jain (PGP'1989)
2. Sanjeev Bikhchandani (PGP'1989)

Case Study 5: Nirmal Jain (Pgp'1989) Venture: India Infoline

Historical Background

1. Father's occupation: Government Service
2. Mother's occupation: Home-maker
3. Business Background (if any): No
4. Graduation: C.A.
5. Post Graduation: MBA from IIM-A (PGP'89)

Career Progress

Nirmal worked for 5 years, i.e. from 1989 to 1994, with Hindustan Lever Limited. In HLL, he was handling commodities like peanuts and oil, so got a good experience of trading. In March 1994, along with Motilal Oswal & Randev Agarwal, set up an equity research outlet 'Inquire'. After a year and a half, he started his own business ' Probity Research & Services Pvt. Ltd'. In

1999, Internet was becoming very popular & Probity launched India Infoline in which they put all research free on their website. This idea generated about a crore of profit in 1999. The company began working on an Internet based trading model, which took 3 years to execute. In March 2000, NASDAQ & other markets crashed & the company came in crisis & shifted from 'growth' to 'survival' mode from 2001 to 2003. But in May 2003, trading platform stabilized and stock markets started looking up. From then, Company was doing wonderful & galloped its revenue continuously.

Problems & Challenges

1. From 1995 to 98, stock markets were not doing well, so the business was slowed down during this period.
2. In March 2000, NASDAQ & other markets crashed. The dotcom business had burst & company came in crisis. VCs & PEs kept asking for their money to be returned which was taken on loan. Company shifted from 'growth' to 'survival' mode from 2001 to 2003.
3. During this journey, lot of pressure was handled from investors who have invested a huge amount with the company
4. In 1999, CDC ventures (now known as Actis) invested \$ 1 million.
5. In March 2000, India Infoline raised another \$ 5 million from Intel Capital & some other investors.
6. In October 2001, company again raised Rs 6 Cr (\$ 1.2 million) from its existing investor.

Advice to Young Entrepreneurs

Entrepreneurship is risky. So you should have a mindset, should be prepared to fail. If you are not prepared to fail & can't handle failure then this is not your cup of tea.

Case Study 6: Sanjeev Bikhchandani (Pgp'1989) Venture: naukari.com

Historical Background

1. Father's occupation: Government Service
2. Mother's occupation: Home-maker
3. Business Background (if any): No
4. Hometown: Delhi
5. Graduation: B.A. (economics) from St. Stephen's College, Delhi; worked for three years after graduation.

6. Post Graduation: MBA from IIM-A (PGP'89)

Career Progress

Sanjeev after his PG left a fairly comfortable job marketing Horlicks at HMM (now known as GlaxoSmithKline) in 1990 to set up two companies Indmark, specialized in pharmaceutical trademarks and Info Edge, producing salary surveys and reports. In 1997, Bikhchandani set up Naukri.com, jobs portal on a server in the United States, and later Quadrangle, an offline executive search business. After the launching of IPO of Info Edge in 2006, jumped 85% on its debut, he and his wife Surabhi were worth Rs 722 crore.

Problems & Challenges

1. As Bikhchandani contemplated on the way forward, he realized that he needed to address several issues in the short term. The main issue was whether naukri.com was optimally configured for the next growth phase. Other important issues were:
2. In the beginning in October'96, to launch a website, a server was required & all servers were in US. So server was arranged and brought from US.
3. How to deal with competition, especially, how to handle price pressure?
4. Role of the sales force in future—whether there was a possibility of generating business growth without a proportionate increase in sales force numbers.
5. Changes to be made in incentives, monitoring and control of sales force.
6. Sources of revenue in the future whether could be tapped from sources other than corporate clients using the recruitment services.

Role of the Tele Sales its Opportunities

Internet users are increasing day by day. Approximately, 7.5 million urban Indians are using the net. Further, with broadband infrastructure being rolled out, there are more opportunities on the net. The scope of online recruitment is, therefore, increasing.

Like any other online recruitment company, it has the advantage of being a low cost medium of recruitment; it also cuts recruitment cycle time drastically.

The recruitment market is booming and it can be said that the job market is one of the best in recent years.

The online opportunity for hiring in India is growing at 80-90 per cent each year.

Advice to Young Entrepreneurs

Do not exaggerate in your business plan, under commit and over deliver.

PGP'1991 to PGP'2000

1. Deep Kalra (PGP'1992)
2. Narendra Murkumbi (PGP'1994)

Case Study 7: Deep Kalra (Pgp'1992)Venture: makemytrip.com

Historical Background

1. Father's occupation: Service
2. Mother's occupation: home-maker
3. Business Background (if any): Yes, grandfather's dry fruits business in Delhi.
4. Hometown: Delhi
5. Graduation: BA from St. Stephen's College from Delhi.
6. Post Graduation: MBA from IIM-A (PGP'92)

Career Progress

After MBA, Deep joined ABN Amro and worked for 3 years. In 1995, he joined AMF Bowling, which pioneered the concept of bowling alleys in India. Deep spent four years with AMF, then began exploring options once again and joined GE –the consumer finance business. Deep always wanted to do his own thing. So, simultaneously, Deep set up a shop on 1st April 2000. He continued with the day job at GE, the nights were spent planning his own venture. Two models came to his mind- one was online stock broking and the other an online travel portal. He selected the second option and started the venture 'India Ahoy' – a website to attract high leisure travelers from overseas. But the main brand and site were later rechristened makemytrip.com – a name more suited for the Indian market. The funding was done by Neeraj Bhargava, Managing Partner of eVentures, who agreed to fund \$ 2 million against 70% share in the company. In 2005, with the help of Air Deccan, company started booking online cheap tickets. After then company started booking hotels and holiday packages. And now, 70% of business is from India, with close to 10,000 tickets being sold online each day.

Problems & Challenges

1. In 2001, the dotcom bubble burst, eVentures (\$ 2 million was taken on loan from this company) packed up from India and made a distress sale. Deep bought out his own company with his life savings. But now company didn't have money, salary payments became difficult. The Company shrank from 40 employees to 20 and from 3000 sq. ft. office to 1000 sq. ft. Company came close to shutting down but with these 20 loyal set of employees, they fought back. Then they realized 'India focus' was pointless and stopped marketing in India. All energies were then focused to US based NRIs. That idea worked up to 2005.
2. The big challenge then came to sell other products online i.e. booking hotel tickets and holiday packages. For this, company set up 20 'travel stores' across the country to be able to sell holiday packages to various regional markets. But surprisingly, sales have been excellent offline also.

Advice to Young Entrepreneurs

Choose your field very carefully. Always hire people better than yourself in that specific area. Colleagues who challenge you are your best friends and the 'yes man' are your worst enemies.

Case Study 8: Narendra Murkumbi (Pgp'1994) Venture: Shree Renuka Sugars

Historical Background

1. Father's occupation: trading
2. Mother's occupation: home-maker
3. Business Background (if any): Yes, but not in sugar industry
4. Hometown: Belgaum
5. Graduation: Electronics & Communication Engineering from Gogte Institute of Technology, Belgaum.
6. Post Graduation: MBA from IIM-A (PGP'94)

Career Progress

After post graduation, in 1994, Narendra set up "Murkumbi BioAgro", manufacturing bio-pesticides. Then in 1998, Narendra and Vidya Murkumbi (Mother) founded Shree Renuka Sugars Limited. SRS offered farmers to buy at least 500 SRS shares at Rs 10 each. 9,900 farmers bought the stock. Since then, Murkumbi has turned the company into awfully integrated sugar maker with power generation and refining capacities. It has also become a major merchant

exporter of sugar and is setting up 2,000 tons per day sugar refinery in Haldia — the largest in India — primarily for exports. SRS listed in BSE 2005, Renuka listed at a price of Rs 285 while the farmers had bought shares at Rs 10 each. SRS' growth (in the last three years, sales have grown from 152.34 crore to Rs 673 crore, and net profit from Rs 2.36 crore to Rs 40.73 crore). SRS attracted investors. Foreign investors, like Carlson Fund, have bought 12 per cent of SRS and the company's market cap is among the highest in the sector. SRS possesses India's largest sugar refining capacity of 1400 tons per day.

Problems & Challenges

1. The problem came when Narendra started his 1st business of manufacturing pesticides 'Murkumbi Bio-Agro'. The main problem was with this business that they couldn't scale it up because it was a niche product. Bio-pesticides were not very favorably looked at by farmers. Because the products, while they are safe, are slower acting than chemicals. It's 'concept selling', Always tough. So Narendra was frustrated with the size of the business. To solve this problem, Narendra began scouting for other opportunities and key managers continued to run the bio-pesticide business.

Advice to Young Entrepreneurs

It's tough to start off on your right away. You learn many things the hard way.

PGP'2001 to PGP'2010

1. Cyrus Driver (PGP'2001)
2. Vardan Kabra (PGP'2004)

Case Study 9: Cyrus Driver (Pgp'2001) Venture: Calorie Care

Historical Background

1. Father's occupation: Air Force
2. Mother's occupation: home-maker
3. Business Background (if any): No
4. Hometown: Mumbai
5. Graduation: IIT Bombay
6. Post Graduation: MBA from IIM-A (PGP'2001)

Career Progress

Cyrus joined JP Morgan in 2000 & worked for 4 years in India & Singapore. In August 2004, he left JP Morgan & came back to Mumbai. He had money to invest and also had an idea to invest in- Calorie counted healthy meals and was born 'Calorie Care'. Sports nutritionist Lisa John worked along with two professional chefs to create a library of calorie counted recipes. It took 10 months to put together a database of 150 such recipes across different cuisines. Calorie Care is modeled along the lines of a flight kitchen and at its helm was Chef Kamlesh Kumar, who had worked with Ambassador Skychef. But the big idea is, not only are the meals calorie counted but they are customized, customers can indicate their preferences as detailed as they can. Currently Calorie Care delivers 600 meals a day, and caters 'healthy meals' to some corporate houses. Then Calorie Care entered into a joint venture with Sterling Biotech, a company launching 'health malls'.

Problems & Challenges

1. The major challenge was creating recipes which should be low in calories but tastes good as well. And this took almost a year to create a library of calorie counted recipes.
2. The next hurdle was getting the sundry municipal licenses required to set up a food establishment in Mumbai.
3. Finding a location to set up a kitchen was also a difficult task. This took 5 months to zero in on a property which met the requirements and was affordable.
4. Next came the task of setting up a professional kitchen and this is what required a sizable investment, for which Rs. 45 lakhs were put in Cyrus himself.

Advice to Young Entrepreneurs

It's good to be a consumer of the product you are planning to launch, as you don't need to do endless market research. You know what will sell.

Case Study 10: Vardan Kabra (Pgp'2004) Venture: Fountainhead School

Historical Background

1. Father's occupation: Service (C K Birla Group)
2. Mother's occupation: home-maker
3. Business Background (if any): No
4. Graduation: B. Tech from IIT Bombay

5. Post Graduation: M. Tech from IIT Bombay & MBA from IIM-A (PGP'2000)

Career Progress

After IIT, Vardan started 'Detonation Spray Coating' unit. But the project could not go ahead because of lack of capital and no clue about how to actually run a business. Then he shifted towards doing MBA and joined IIM-A. Vardan was sure that a job is not for him, as he wanted to start something of his own. In his second year at IIMA Vardan visited Eklavya School in Ahmedabad and decided that he too will start a school. He shifted to Surat for opening up a school, a city which lacks good schools and where there is growing demand for quality education. And paying capacity is not an issue. He started with Fountainhead Preschool because of lack of initial capital to start a fully fledged school. With 6 admissions in April 2005 to 140+ admissions by January 2007, Fountainhead became a 'brand' of high quality meaningful education in Surat. While his wife fully involved in managing the preschool, in January 2007 Vardan also started a training centre called 'Life Skills' for students and working professionals.

In June 2008, in partnership with a local businessman, the school was built on a 10 acre campus.

Problems & Challenges

1. The biggest problem was the initial capital to start a full fledged school. So they started with Fountainhead Preschool.
2. The other major hurdle Fountainhead faced was land to start a full fledged school. At least 4-5 acre land was needed to start up a good school. Then fountainhead applied for government land in January 2005, on which no action was taken up by the government even after 2 years. In June 2008, in partnership with a local businessman, the school was built on a 10 acre campus.

Advice to Young Entrepreneurs

Getting the direction is probably a matter of time, and working hard- when you keep working you realize what makes more sense.

Conclusion

These entrepreneurs possessed a passion to achieve something beyond money and fame. They did it, because they wanted to. Often nothing mattered except enjoying the work they did. From passion, perseverance came naturally. The end goal just wasn't money, which helped make seeing one's way through failure that much easier. Success or failure was just nodes on an exciting roller-coaster ride. They dropped their salaried jobs, with the faith that a business based even on a semi-good idea would fetch the equivalent of an average 9-5 job's salary and much more within a couple of years of hard work. They saw, grabbed, massaged, and ingested opportunities. So, opportunities lies everywhere but the thing is to identify and to grab it.

References

Anonymous, *Indian Management*, A Business Standard Publication, New Delhi.

Anonymous, *Science Tech Entrepreneur*, NSTEDB, Development of Science and Technology,
Government of India.

Bansal R., (2008), *Stay Hungry Stay Foolish*, AM Venture Publishing Pvt. Ltd, Ahmedabad.

Merrill D., (2007), *Success Secrets Of Renowned Entrepreneurs*, All India Publishers & Distributors, Pustak Mahal, New Delhi.

Singh N.P, (2006) *Successful Entrepreneurs: Their Identity, Expectations and Problems*, National Institute for Entrepreneurship and Small business development, Himalaya Publishing House, New Delhi.

Saravanavel P., (2010), *Entrepreneurial Development – Principles, Policies and Programmes*, Ess Pee Key Publishing House, Mount Road Madras.