

# The great Indian start-up stage play

It is important to talk about failures not only from the ‘therapeutic’ perspective, but also to help future entrepreneurs understand where these start-ups went wrong.



India’s entrepreneurship story has been promising. We see many successful entrepreneurs in India today, some well-known, some less known. However, it seems there is a flip side to all this success. Have we turned into a nation of ritualistic script adopters, becoming part of a play that is fully scripted—the performances of all the actors, directors and producers repeatedly tried and tested—and the audience unfazed because they do not have new expectations? In this sort of a theatre, we often do not notice or hear about failed actors or starving artistes who did not quite make the cut because they took a different cue. Similarly, there are entrepreneurs whose stories may not have unfolded as they anticipated. Their stories are not spoken about, even when the players spring back to action.

As a nation of start-ups, there are a couple of attitudinal changes that are required to overcome the taboo of not talking about failures. Unlearning taboos requires cultural recalibration. Hundreds of years of colonialism and pseudo-socialistic views have left us impregnated with a standard ‘philosophy’—the notion of survival of the fittest. This starts with our educational system. We are conditioned to believe that only the best make it to the top. This conditioning also decides our career paths as well as our nuptial roadmaps; there is seldom any room for failure.

The good news is that millennials don’t seem to care for such pressures. They ‘own’ their aspirations and most importantly, are willing to take risks. This is where the start-up story becomes interesting.

We need to start writing new scripts with this new mindset. This would mean that a bunch of entrepreneurs who haven’t quite ‘made the cut’ will be able to act out their parts again. The community of developers, designers, and employees will now have the chance to take part in something new and untested. It could be that the new script translates to a lot less theatre-goers and consequently less ticket sales. But this appetite for risk is the foundation of today’s start-up ecosystem.

## Start-up rebounds and learning from others

It is important to talk about failures not only from the ‘therapeutic’ perspective but also to help future entrepreneurs understand where these start-ups went wrong. Most often, it is the lack of focus on the right phases and avoidable stress on the less important phases that lead to such shortfalls. Even the smartest ideas can fail without the right implementation and scale.

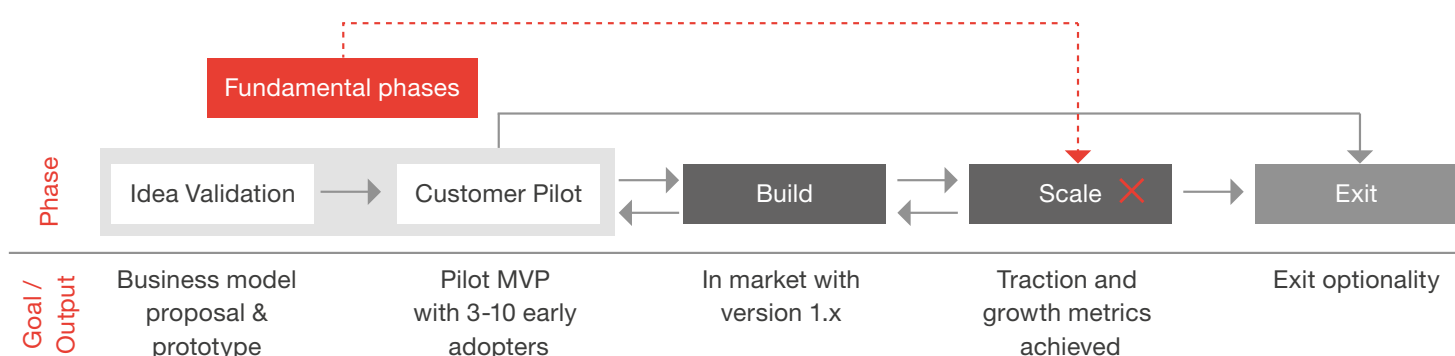
A number of start-ups rush to build products and scale, ignoring the pre-build and scale phases. Product building is not always the first stage. Idea validation and customer pilot phases (see graphic) are fundamental to succeed at the scale stage.

Once the idea takes shape, functional prototypes are adopted to test it and once validated, entrepreneurs can shift their focus to a wider customer base. They have to identify potential clients to pilot test the idea and incorporate their findings into the Minimum Viable Product (MVP). By creating a feedback loop from the initial group of customers, entrepreneurs can refine their business model and pricing strategy to align with market needs. A number of founders have shut shop primarily because they didn't understand their customer's needs and were thus unable to arrive at the right solution.

In the next build and scale stages, entrepreneurs receive large-scale funding to build the complete product and invest in marketing, sales, and distribution. At these stages, the product/offering moves into production and becomes commercially available. Though most start-ups initially begin showing revenue growth and profitability, they eventually fail due to their failure to capture the right customer feedback mix.

### The evolution of start-ups

Lack of focus in the fundamental phases is a primary reason for start-up failures in the Scale stage



### The role of the investor

The investor's role is like that of the producer in any theatre. However investments apart, he should be able to guide an entrepreneur who is on the cusp of up-scaling operations. Take for example, a first-time entrepreneur who may think that in order to scale up, he needs cost-efficient methods to keep margins low. These assumptions are based on his preliminary market discovery and further cemented by angel investors. This 'seat of the pants' approach completely blindsides the right way to tackle this problem—hire a world-class inside sales team that channelises more sales volume. In this case, spending more money to drive an incentive-based approach to capitalise the intellectual property, enhance new revenue streams through inside sales, and up-selling would be a more strategic approach. The entrepreneur should look at what capital he needs to invest in engineering, sales, and business development. This gets more pronounced in a subscription-based business. As sales deepen, a lot more upfront investment is required in front-loading the engineering team. The need for cumulative cash flow becomes directly proportional to the number of conversions and contract value.

### Planning ahead of time

Right from the conception stage to when entrepreneurs evolve into mature businessmen, the mindset of testing the untested, creative thinking, and strategic planning needs to continue. In short, the founders should be able to answer these questions before they move to the building juncture so as to avoid a major cash crunch at the scale and build stages.

- What's your competitive advantage?
- Will people buy your MVP at a set price?
- Have you spoken to actual customers about their pain points? How will you validate the findings?
- Did you define the target market and the size of it?

Therefore, to ensure success, start-ups need to plan ahead of time to scale up and put in a lot of thinking in the pre-build-up stages. Just state-of-the-art technology and a team are not enough. Entrepreneurs need to have the DNA to learn from failure, re-imagine the possible, be bold, and create new models which are sustainable, impactful, and do not necessarily follow a pre-defined script.

## Ecosystem orchestration is the way forward

Based out of T-Hub, PwC's Innovation team is co-creating products and services with start-ups across verticals, helping them scale up with market access and industry connects. One notable engagement has been with cyber security start-up Authbase, which uses machine learning and behavioural analysis to achieve continuous monitoring, live mitigation, and self-learning in order to secure smart networks. PwC is leveraging the expertise of its cyber security team to help Authbase develop more market-ready products and services.



### About the authors:

Murali Talasila leads the Innovation practice at PwC India. He also leads PwC India's start-ups and new ventures initiatives. Under his leadership, PwC has built a strong community of start-ups, incubators, accelerators, seed funds, angel networks, VCs etc. Talasila was instrumental in setting up the innovation hub at T-Hub in Hyderabad.



**Murali Talasila**  
murali.talasila@pwc.com



**Jay Krishnan**

Jay Krishnan is a serial entrepreneur and investor with two successful million dollar exits in the US and India. He has held leadership responsibility in Fortune 100 companies, managed large transformational initiatives, built new product offerings, and helped create scale. As former CEO of T-Hub, he has been instrumental in driving several tech innovations that have aided T-Hub in becoming one of the most coveted incubators in India.

