

# Startups won't cut it for growth

They need the right ecosystem to grow into businesses that can positively impact the economy and society. That's absent

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Let me break the myth that a lot of startups is a boon for the economy. They are not. The true potential of entrepreneurship can be attained not by having too many startups but by ensuring that these startups grow into sizeable businesses. And since not all startups are worthy of growth and size there should be welcome casualties too. Therefore, a systemic view of entrepreneurship is needed to understand its impact on the economy.

## A basic definition

From government to academic institutions to media, all are overly focused on startups in the name of entrepreneurship. Startups are born out of entrepreneurial desire, but much of entrepreneurship is not startup. A successful startup conceives of an idea and converts it into a tangible product or service, which is accepted by early customers. The journey until this point is different from the one from here into the future. For the society and the economy to benefit from the product or service it is mandatory to scale this venture. Leaving startups to remain without scale is a loss of economic as well as social opportunities, a locking of critical societal resources in eventually-failing startups and diminishing entrepreneurial aspirations.

Broadly speaking, there are three aspects in the system that lead to the sustainable growth of startups.

First, the internal factors of the venture that include elements such as founder(s), team, strategy, product or service offered. These are mostly influenced and shaped by the decisions of the founding members. Second, market forces, which basically imply competition, alternative products, and economic environment. While some of these forces may be influenced by internal decisions, many will constantly push to keep adjusting and tweaking the business model. The third aspect is the public policy towards scalable entrepreneurship. The approach of public policy defines the ease of operating business and providing support to startups to convert themselves into growth ventures.

This article focuses on the policy aspect around scaling up ventures so as to help capture the real value of these ventures for the economy.

## Priorities and challenges

Entrepreneurs make things happen even in the most difficult situations because of their unique fighting spirits. Studies have shown that an enabling policy regime has the power to accelerate entrepreneurs' success.

India's current policy approach mostly focuses on bringing more people into starting up, helping vast numbers of small enterprises, encouraging need-based, instead of opportunity-based entrepreneurship, and emphasising self-employment rather than large, scalable ventures. This is where the chal-



lenge exists. While our policy priority should be to give impetus to growing ventures, we are too focused on bringing more and more smaller entities into existence.

These scalable ventures are businesses that have gone past the startup phase but are still not large businesses. They have discovered their sweet spot, are raring to grow, but are somewhere 'stuck in the middle'. These businesses may be mistaken for small and medium en-

terprises (SMEs). While SMEs have the intention of remaining in such a bracket because of various reasons including the family-driven approach, growth startups have the determination to make a huge dent in the market space where they are operating.

I call such ventures business buds. They are young and high-growth in nature. These businesses have shown incredible tenacity and ability to learn to come out of their fragile startup phase and grow into the more promising status of being the next blockbuster. Such businesses will eventually create immense wealth, offer huge job opportunities to people, and be a decent contributor to the GDP of the country, as they successfully transit to their deserving larger size.

There is a common misconception that starting up a business is a hard task and growing it is much easier. My experience of advising startups and growing ventures suggests that it is far more difficult to grow a venture than to start one.

Even with a large young and educated talent pool in our country, getting the right talent remains the top challenge. Lack of skilled resources can jeopardise the prospects of a venture's scaling up. A policy intervention must encourage both the public and private sectors to produce industry-ready talent instead of just certificate holders.

## Regulations are an obstacle

Our regulations are becoming a constraint for business buds and this is evident in the number of suc-

cessful startups moving their headquarters to places like Singapore. The absence of a focused and clear policy framework makes public authorities equate these high-growth ventures in the same manner as large organisations. Such an approach makes the lives of business buds difficult, as they operate a lean machine to remain less risky and more efficient. Invariably, they do not have a large resource base to manage regulatory compliances of different departments.

Encouraging policies to help high-growth, high-potential ventures can certainly energise these businesses. A question that pops up frequently is: When will India become a nation producing world leading products? But how are we helping whatever small number of high-quality products our local entrepreneurs have brought to life? Product companies need a supportive ecosystem. Policy incentives that can create an enabling ecosystem will strengthen the global positioning of these ventures.

Paradoxically, we support seeding of businesses but once these businesses are successful, and this is when we would want them to continue growing and generating value for the economy, our policies simply do not seem to help them. Even a small number of successful growth stories can have an astoundingly huge impact in the form of value creation, and can significantly shape the entrepreneurship culture in the country. More power to growing ventures.

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