

STARTUP INDIA

# Yes, We All Lurry Startups! But Then, What's a Startup Again?



**M G Parameswaran**

M S Ananth, the then-director of my alma mater IIT-Madras, had an interesting story to tell about tech trends of the 2000s and their potential for use and misuse. Given his chemical engineering roots and the nanotechnology mania gripping the tech world, Ananth said that if he converted all the IIT-Madras campus assets into nano numbers — the sylvan campus covering '2 trillion nanometres', labs covering '10 billion nanometres', a liquid processing laboratory of a capacity of '1 million nanolitres', etc — he could raise a tonne-load of money.

We are seeing a similar startup fever gripping India Inc, fanned by media reports of cheap venture capital funds and unicorn valuations. All major business schools and technology institutes have set up their own centres of innovation and entrepreneurship. In addition to international venture firms, even family funds are jumping in. And today, the government of India has also launched its own initiative to spur startups.

At the last count, almost 30% of

IIT-Madras B Techs were either joining startups or setting them up. So what is a startup anyway?

A computer scientist friend of mine who was in Mumbai recently was quite irritated with the way the term 'startup' was being bandied around even in paan shops of Powai. So I sat him down and asked him how he would define a startup. According to him, a startup is a company that leverages the power of digital technology to scale up very, very fast, without really incurring huge scale-up costs. Once the core idea is cracked, and the technology backbone is built, it can be scaled up by setting up more servers. Well, almost. So, a swanky tailoring establishme-

nt with a website may not fit his definition of a startup.

The 'pure' startup has almost no physical limitation, good examples being Twitter and Facebook. Even an online merchant has limitations on one side, although the other side of his business is infinitely scalable.

In his essay, 'Startup = Growth', computer scientist and venture capitalist Paul Graham corroborates this view, adding that the only metric of a startup is an obsession for growth, driven by a highly scalable digital business model. He says that a company has to grow at a particular weekly rate in order to be given the honorific. Graham puts down this number as 7-10% a week. Yes, *a week*.

The other definition of a startup is of a young company, less than five years old, and determined to grow very, very fast, in the broad sense of the term. In this definition, there is no mention of digital technology. So, the earlier mentioned tailoring setup may pass off as a startup if the entrepreneur is aiming at setting up 1,000 tailoring establishments across India in two years, is ready to lose money for the first 5-10 years — and is looking to raise capital.

One alternate — and a bit macabre — view has it that a startup is a company that can pass the 'Fail Forward Fast' test. In other words, a company that can shut its doors quickly. So, the much-awaited bankruptcy code, which should be rebranded as the 'shutdown code', is a must if startup fever has to continue unabated.

It's terrific that so many bright young minds in India working on the NBI: Next Big Idea. I see no harm in all such enterprises being lumped under the broad name of startups. What we used to call 'new companies', 'small companies' or 'entrepreneurial companies' a few years ago, we call them 'startups' now. It kind of rolls nicely off the tongue and the printing press. But make no mistake, a startup has to pass the scalability test. Whatever they be called, may their tribe flourish!



**Now to scale it up 7-10% a week**

*The writer is adviser, FCB Ulka Advertising*