

## The Truth about Entrepreneurs

The government, media, academia and indeed society itself, is heralding a new hero – the entrepreneur. With talk of start-ups, angel funds and incubators abounding, it isn't strange that setting up one's own business is a dream for many. And starting an enterprise is probably one of the most exciting vocations in the 21st century!

Much has been written about entrepreneurship, entrepreneurs, conceiving an idea and then implementing it. When one looks at the gamut of research and writing in the field, what stands out is that most of it is directed on the growth of the idea, the evolution of the business and the interplay between these two. Most of this literature refers to the idea and the business almost as if it were an independent entity capable of rational thought and action. When the entrepreneur is discussed at all, it is in relation to how he/she evolves with the business as if the business was the driver and not the other way around.

The skill, focus and values that this entrepreneur brings to the business, ultimately defines the nature of the business and the direction it takes. These qualities are not static and with the growth of the individual, there is a change in attitude and direction, as with most human beings.

Who amongst us has not at one time or the other dreamt of being one? The idea of creating a firm, having a saleable idea and of pursuing one's dreams has appealed to many a person. Few, however, actually make the leap as the security of a salary, perks of high-end jobs, responsibilities of families, and risk

My personal interest, whether wearing the hat of an investor or simply as an observer of fellow human beings, has always been on the individual entrepreneur(s); more about these qualities in a later section. And yet it is not as if these qualities are static; with the growth of the individual, there is a change in attitude and direction, as with most human beings. And while attitudes and directions may differ, there is often a pattern in terms of how entrepreneurs evolve.

What to me has always stood out has been the metamorphosis of the person(s) behind a new enterprise. Founders of new businesses probably start out like you or me with jobs and careers, but somewhere along the journey they hear the calling and are able to evolve into entrepreneurs, some successfully and others not. They beg, borrow or steal the skills and traits needed to create an enterprise of their own. This is what fascinates me and perhaps this is what made me an investor.

Perhaps the most important part of the journey is – making the decision to become an entrepreneur. Who amongst us has not at one time or the other dreamt of being one? I speak, of course, about first generation entrepreneurs here. The

idea of creating a firm, having a saleable idea and of pursuing one's dreams has appealed to many a person. Few, however, actually make the leap as the security of a salary, perks of high-end jobs, responsibilities of families, and risk aversion, keep us tied down.

## **The Stages of an Entrepreneur's Growth**

In my experience as an entrepreneur and investor over the last 15 years, I have observed that when professionals turn entrepreneurs, it is generally in the creative or service space. They have some key characteristics which make them stand out as in they occupy a niche space, have a defined style, are passionate about their work and most of all are flexible and have the desire to make customer happy. I also find that most such entrepreneurs are right brained in that they are creative, philosophical and intuitive. More about right brained people in a later section.

### **Stage 1: Lifestyle Entrepreneur**

This is a safe zone as they offer their well-honed professional skills such as that of an artist, lawyer, doctor, or software engineer. By offering these services, they can control quality of services and it is obviously what they know best. Such entrepreneurs have usually created a base of potential clients who are ready to offer them work based on the trust and respect built over the years. It is typical of such entrepreneurs to start out without employees and at most have a partner; the 'product' they are offering is generally their own creativity and skill. Not employing others is often a financial decision but just as often to do with quality control, but once the business hits the mark, they often start to build a team. They start out working out of their own homes and

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garages and use family and friends as resources. This first stage is what I call the *'lifestyle entrepreneur'* such as a design consultant, an architect or a chef who opens his own restaurant. Lifestyle entrepreneurs can be successful but their focus is almost entirely on money. Classic examples is photographer like Atul Kasbekar or a designer such as Sabyasachi who have their own studios, a range of services and products respectively that they offer, but it is their own creative input which keeps the brand in demand.

There are some classic challenges that face the lifestyle entrepreneur. For small entrepreneurs, it is not just the idea of setting up an enterprise, but also perceived perks which appeal, such as working for oneself, not working for a large corporation, generating wealth, etc. are the main drivers. People who are driven by such motives find that they run out of steam fairly early, unless these drivers change along the way. In addition, despite having a team once they grow to a certain size, the entrepreneur is at the head of the business. Fatigue ensues from being the face of the brand as well as responsible for the overall growth of the business. Feeling overwhelmed and lonely and always under stress are typical of this stage. But perhaps the biggest problem is

the inability to institutionalise the business and ensure scalability due to the nature of the industry, especially in the creative or service industries. For example, A.R. Rahman the music composer, who has built up a huge name for himself, would be unable to build a large enterprise in his core area as a music composer.

### **Stage 2: Trader Entrepreneur**

Lifestyle Entrepreneurs, especially those who are in the creative and knowledge industry, generally do not scale beyond a point and many such businesses do not survive beyond the lifetime of the entrepreneur. Their emphasis is on quality and flexibility and the successful ones have a loyal customer following due to the personal brand of the owner. Some Lifestyle Entrepreneurs, however, start to get more work than they can handle and migrate to the next level, which I call '**Trader Entrepreneur**'.

In this new stage the entrepreneur starts to build a team and hire a few junior people with similar domain expertise for operations and delivery, while he continues to retain control of the firm. Trader Entrepreneurs typically make money by differential wages or labour

Law and Chartered Accountant firms are good examples of Trader Entrepreneurs.

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arbitrage for example small law or IT firms. Another hallmark of this level is that they hesitate to share power or raise external funds to expand fearing loss of control. Admittedly, this stage has benefits such as having employees to carry out day to day operations and sharing the workload. On the other hand the burden of bringing in business rests entirely with the business owner. Many entrepreneurs, after having run the business for some years, begin to realise the problem of scale and that the business is unlikely to survive beyond them. Need examples here.

### **Stage 3: Scale Entrepreneur**

Those Trader Entrepreneurs that realise the non-scalable nature of their businesses and begin to explore opportunities, form the third stage. I call them '**Scale Entrepreneurs**'. These entrepreneurs are complex beings. They want to build businesses that can run without them in future. The Scale Entrepreneur essentially plays the role of an aggregator where he invests some money as well as raises capital from others and then hires a team to operate the business. He hires professionals who can run the company without him being involved in day-to-day matters. Such an entrepreneur is not averse to selling his shares in the business to retire or set up new ventures as did Sabeer Bhatia, the founder of Hotmail. Scale Entrepreneurs are typically left brained, which means that they are logical, rational and analytical. I will talk about right and left brained characteristics in detail in a later section. Celebrity TV Chef Sanjeev Kapoor is a classic example, who started off as a professional chef, gained celebrity status with his TV show and leveraged that to open a chain of franchised restaurants and ready to eat food such as pickles.

These three stages are more about size of operations and the entrepreneur's desire for scale. These stages are not necessarily linear in order and I am not suggesting that entrepreneurs must progress from one level to the next. The nature of the business and the sector it serves, determines which stage the business starts in and which stage it evolves in. However, they are driven by different kinds of intelligences. If one were to apply Gardner's theory of multiple intelligences in this context, I would say that Lifestyle Entrepreneurs leverage on the five basic cognitive intelligences – Spatial, Linguistic, Logical-mathematical, Bodily-kinaesthetic, and Musical. Given the scale and the size of their businesses, Trader Entrepreneurs require a high level of emotional intelligence, or what Gardner calls Interpersonal and Intrapersonal intelligence. And Scale Entrepreneurs are driven by Intrapersonal Intelligence and perhaps even Existential or Spiritual Intelligence, a construct which Gardner did not formally include in his multiple intelligence theory but has accepted as a viable concept.

No matter which stage an entrepreneur is in, s/he is by nature a restless being, constantly looking for new opportunities

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and casting ideas about the next big thing. What defines how they evolve and how successful their businesses are, get determined by many factors. The succeeding sections of this document will go on to talk about some of these elements.

**Takeaway**

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