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Editor's Blog

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How to scale up your enterprise

10/19/2012 | 13 comments | 1068 views

"It's lonely at the top."

That's the refrain we heard last week, when my colleague Charles Assisi and I led a conversation with two of India's leading entrepreneurs, Harsh Mariwala and Kishore Biyani. India clearly needs more first-time entrepreneurs. And they need advice on how to grow. Drawing from their experience, Mariwala and Biyani have chosen contrasting approaches to create a support network for such entrepreneurs. In 2007, Biyani floated Future Ventures, his market-based model to invest behind smart firms from the retail and consumer universe and help them grow. So far, there are 15 firms—and more are likely to follow.

On August 15 this year, Mariwala announced the launch of Ascent (which stands for, Accelerating the Scaling up of Enterprises), where he spends money out of his own pocket to help a community of high performance entrepreneurs scale-up. Already, 100 entrepreneurs have been through the mentoring sessions. The application process for the next batch of 100 entrepreneurs has now opened, with the second session scheduled to kick off in January 2013 (check www.ascentfoundation.in for details). Our conversation with the two stalwarts was very insightful, and you'll soon be able to read about it in our forthcoming special issue on the 100 Richest Indians, which hits the stands on November 2.

On a related note, from the time we launched in May 2009, we've tried to do our bit to serve entrepreneurs by curating the best stories about how high performers scale up their organisations. The Forbes India Leadership Awards has become a special occasion for us to recognise the best-of-breed leaders. We're now getting ready for a new initiative.

From November 29 to December 2, Forbes India is throwing its weight behind the Isha Foundation's unique leadership development program aimed at high-performance entrepreneurs. Called Insight: The DNA of Success, the program will be led by Dr Ram Charan, considered the foremost CEO coach in the world, and spiritual guru Sadhguru Jaggi Vasudev. Between the two of them, they will cover business and individual leadership challenges involved in scaling up an enterprise. (You can listen to the both of them explain the essence of the program)

There will be plenty of help at hand. A clutch of distinguished Indian business leaders—KV Kamath, GM Rao, Deepak Satwalekar, Ravi Venkatesan, Sangita Reddy, Shankar Annaswamy, Naveen Kshatriya, Prahalad Kakkar, Pramod Chaudhuri, Vellayan Subbiah, Dilip Cherian, Apurv Bagri and Shekhar Kapur—will share their experiences as key resource leaders for the entire duration of the conference. As knowledge partners, I will represent Forbes India and lead a conversation between Dr Ram Charan and Sadhguru.

Our readers can participate in these conversations. Dr Ram Charan will speak to my colleagues Charles Assisi and Shishir Prasad on October 24, followed by a live webcast of our conversation with Sadhguru Jaggi Vasudev on November 1 at 12 noon. If you have any burning issues that you'd like these two stalwarts to address, you could mail us your questions to letterstoforbesindia@network18online.com (email address corrected). We'll present the most compelling questions to the both of them to answer. I look forward to what promises to be a stimulating session.

Indrajit Gupta
Journalist, student of management and strategy, cricket crazy, movie buff. And Editor, Forbes India

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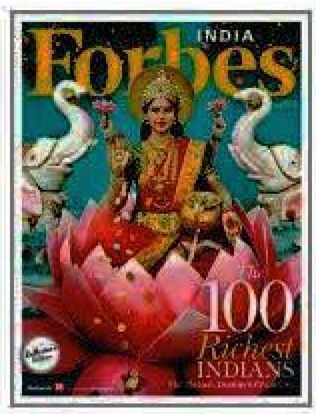

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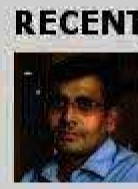

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MARICO'S Harsh Mariwala (2nd from left) and Future Group's Kishore Biyani (2nd from right), Charles Assissi (left) and Indrajit Gupta.
Location Courtesy: Sofitel Mumbai BKC

Photographs: Sunil Raju for Forbes India

SPARKING AN ENTREPRENEURIAL FIRE

Two of India's best known entrepreneurs have found contrasting ways to help young, ambitious businessmen scale up

More than four decades ago, Harsh Mariwala moved out of his family's oil trading business to create Marico, a more than Rs 4,000-crore consumer packaged goods firm spread across 25 countries in Asia and Africa. A decade-and-a-half later, Kishore Biyani cast aside his family's clothing business in Kolkata and went on to create Future Group, the country's biggest retail empire.

Sensing the need to create many more entrepreneurs in India, the two stalwarts are now doing their bit to help stitch together India's entrepreneurial ecosystem. In conversation with *Forbes India*'s Indrajit Gupta and Charles Assisi, Mariwala and Biyani share their perspective on what it takes to create entrepreneurs.

FORBES INDIA: How easy or difficult was it to find mentors when you started your entrepreneurial journey?

HARSH MARIWALA: My experience may be different from Kishore's. When I started out in 1971, after passing out of college, I joined an organisation [initially called Bombay Oil Mills Ltd] that was completely family-managed: No professionals, some supervisors, and a few family friends doing work for the family.

When I started my journey in building a consumer product business, one had to start recruiting talent. My biggest issue in those days was how to attract talent and how to retain it. In a family organisation, we had situations where someone was sitting on the floor in a *dhoti* writing down books. We had an office located in the crowded Masjid Bandar locality in Mumbai.

On the other hand, you're looking for qualified talent: How to attract them without an image of the organisation? I didn't even have the basics in place, a process to give out *formal appointment letters. I had* to start by getting one designed.

I quickly realised that the only way out was to work with consultants, ideally individual consultants. The large management consultants were simply too expensive. I had to manage skill gaps.

I remember working with Professor Labdhi Bhandari at IIM-A. I would go to Ahmedabad by the evening flight, work with him overnight, and come back by the morning flight.

Whenever I hired fresh talent, I met them at a club, sold them the story, got them excited, and then brought them to the office. Otherwise, they would never have joined if they saw our office in Masjid Bandar. I had to mentally prepare all of them. This is exactly how entrepreneurs get things done. They simply find creative ways to deal with issues.

KISHORE BIYANI: For me, it was an adventure. Our family had a traditional clothing purchase business. I didn't want to join that business. I was fascinated by communication, marketing and advertising. I said, "Let's create some new products and supply to the garment industry. My only mentoring, advice came from reading. I didn't go to management school, but read every book on management. I read about entrepreneurs. I even attended a talk by Mr Mariwala on family-managed business. All the solutions were in the books. For me, it was learning while doing: Learning from mistakes.

MARIWALA: I'm still a voracious reader, and that has been essential learning. If not read, I meet *knowledge leaders. I'm constantly* searching for answers—entrepreneurs must keep meeting people—what can I do better? The answers can come from anybody. Any human being can add value to you. If you go to a factory, you must ask the workmen, not have an ego, have a learning mindset. If a person sees that, they open up to you.

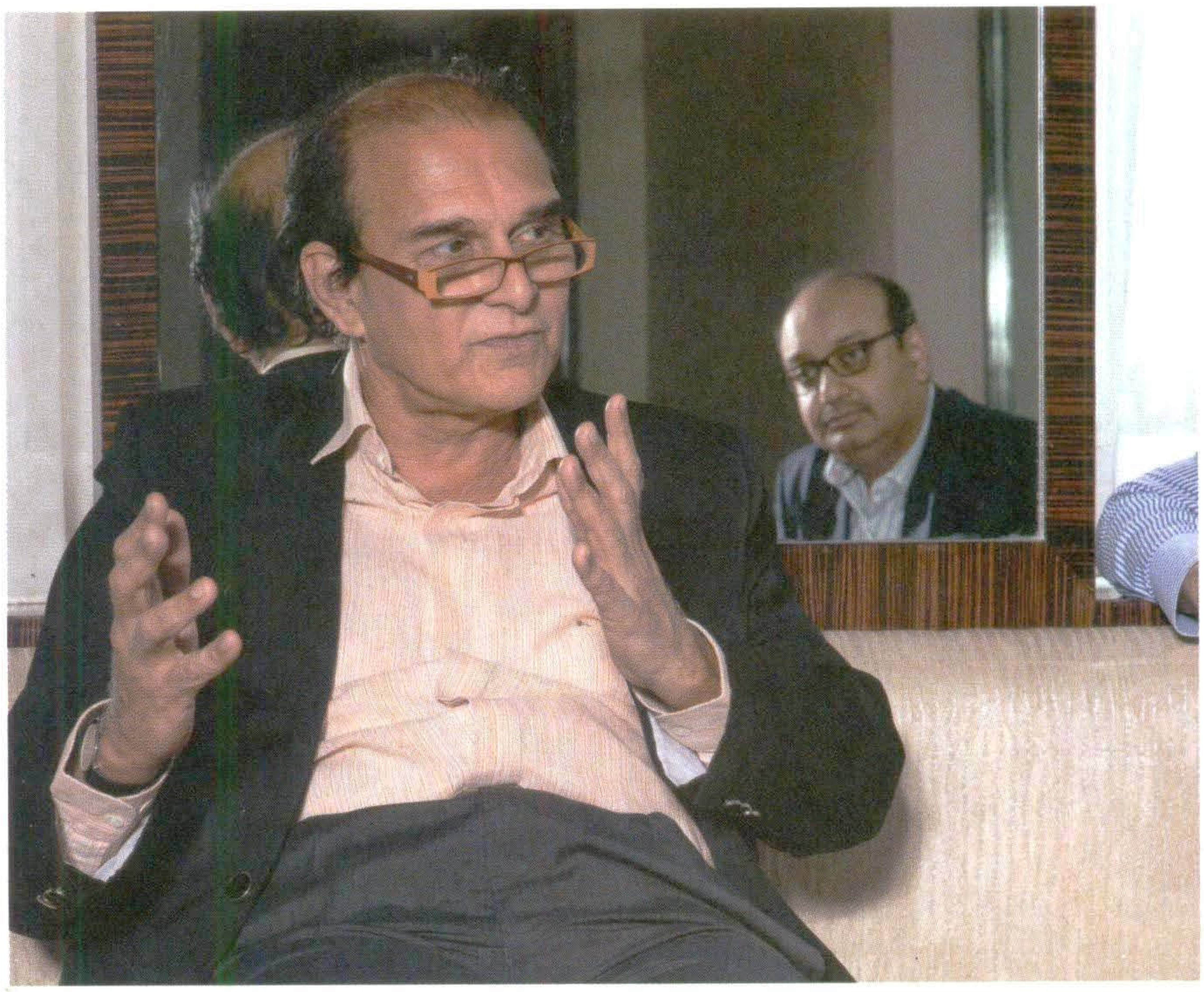
FI: Today's entrepreneurs have well-

{Conversations}

formed networks. So what prompted the two of you to get into this space of building new enterprises?

BIYANI: You have to create your own networks. In the retail business, because it's the last leg of economic activity, you need to find vendors, suppliers, manufacturers, brand owners, etc. In other words, you've got to create the entire ecosystem of retail. In India, there are no benchmarks the first time round, it's a blind game. You have to build people for your own ecosystem. I even had to build a logistics system of my own, and a brand business of my own. I still believe, even today, that "nothing exists". If someone has to start a new business, you have to create a lot. Take, for instance, the digital business: The ecosystem is getting created while things are happening. In India, we are in the early stages, there are gaps, and we have a responsibility to fill them. So, you invest in entrepreneurs.

MARIWALA: I wanted to give back something to society through active involvement, not passive donation. I wanted to give 20 to 30 percent of my time to the cause. Initially, I started with mentoring. Then I realised that each case was different, and I had to spend a lot of time for very little scale. It simply didn't have the desired impact. I wanted to cover a large number. So I felt that I should handle entrepreneurs who have a proven business model, but had problems of scaling. The objective of Ascent is creating an ecosystem of entrepreneurs through the formation of trust groups. We started on August 15 this year with 10 groups of 10 entrepreneurs. And the focus is on peer learning. So the group discusses issues that are brought to the table. If I have a strike, how do I handle this? You get perspective of nine other smart entrepreneurs with a similar sized turnover.



FAST FACTS

Name **Harsh Mariwala**

Rich List Rank 2012 **37**

Net Worth **$1.55 bln**

BIYANI: Our whole idea was to ensure that entrepreneurs don't repeat the mistakes we made. We identified entrepreneurs in categories we knew well and invested in them. For instance, Biba and Anita Dongre were Rs 20 crore to Rs 30 crore. Now, they are in excess of Rs 200 crore. We have contributed by telling them what not to do.

FI: How do you find these entrepreneurs?

MARIWALA: We are still in the early stage. We identify the highest potential entrepreneurs through trust groups. These groups will nominate certain people. We will expose them to top industrialists, provide coaches, etc. Right now, we are into the formation of trust groups. Once every few months, we invite speakers to address groups. For example, redBus for small enterprises, Su-Kam for medium-sized firms, and Mr Biyani for large firms. Every quarter, we want to add 100. I want to cover 10,000 entrepreneurs in the next five to 10 years. Our biggest challenge is getting top quality, because awareness is still small. At this stage, we're in only Mumbai and Pune. In a few years, every big metro should have 1,000 to 2,000. Some may not scale up, but some stars will come out. We don't measure failure. Most of these firms have already broken even.

BIYANI: We do it by category. We pick entrepreneurs from each category. Being a retailer, it is easier to see whose product is doing well and whose isn't. So, it is easier to sift out the best. The second thing is to see whether they have the yearning to grow bigger than they are. Thirdly, can they manage scale? Fourth, whether they are willing to listen to you, whether they respect you.

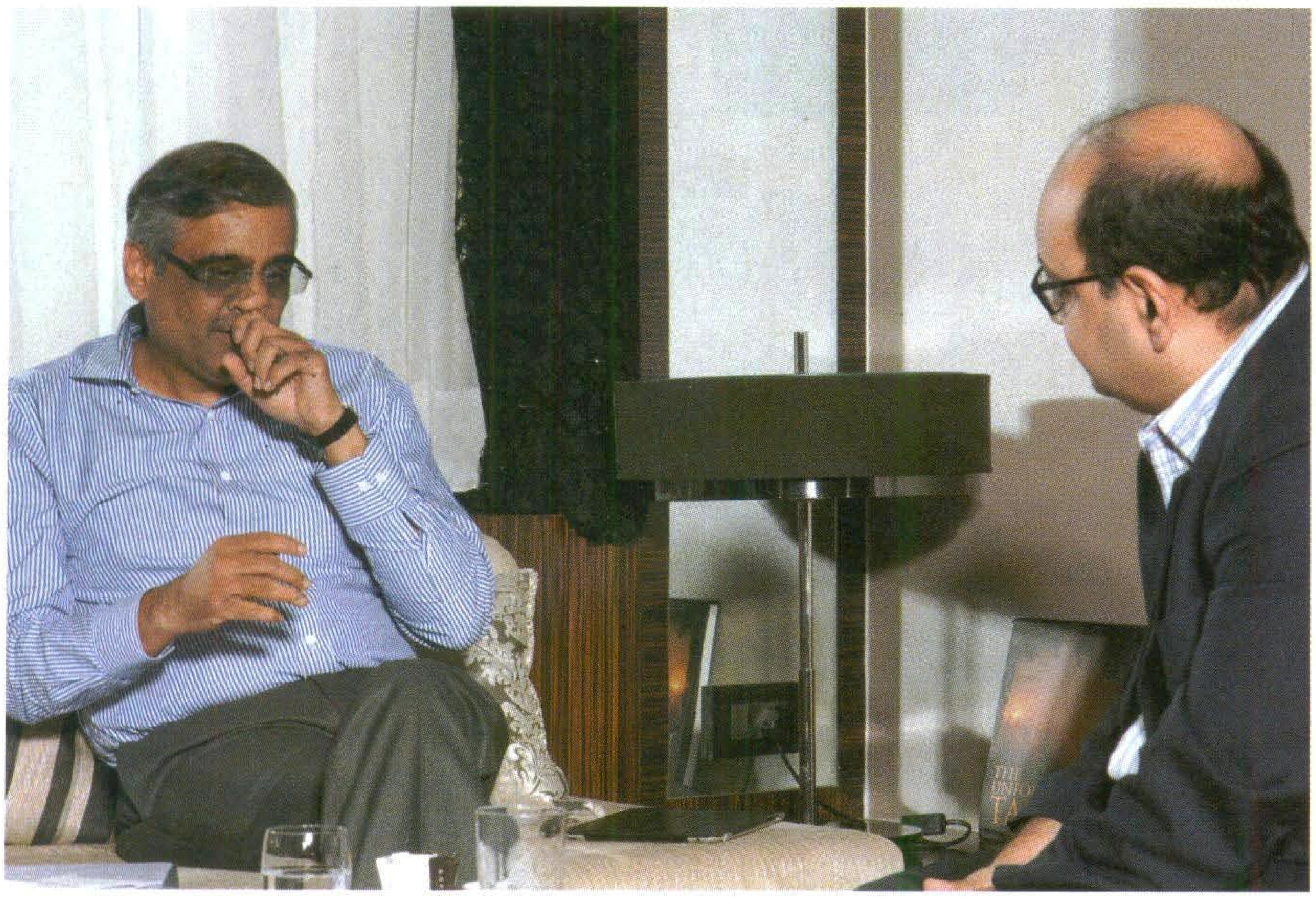
Whether they are willing to listen to you depends on whether they are able to change their business plan. The one we had initially drawn up for Capital Foods four years ago is now totally different. It was to work on the top line. Today, the brief we gave him was to work on the bottom line. The entrepreneur is now willing to change. Earlier, he wanted to do many things at the same time. That is how we are in this country—myself included—we are always in a hurry to create many new things.

FI: Yes, in India, entrepreneurs often get distracted by the sheer number of opportunities that they find and start to diversify. How do you keep yourself focussed? What do you tell entrepreneurs who want to do many things?

MARIWALA: I strongly believe in focus. As long as there is potential, and you are growing sustainably by 20 to 25 percent a year, there is no need to change. In toying with different models, you lose energy. At early stages, it is okay to explore, but at some stage you have to focus. If you grow healthy top line and bottom line, why go for something else?

BIYANI: In my case, I have to keep meeting people like Harsh! The consumers were telling you a lot of things, so you become adventurous, in terms of creation. Since I started, we have gone through two business cycles. Over time, we have learned to be focussed. It's a process of self-learning.

MARIWALA: Ultimately, growth dictates actions. Stick with what's growing the business. Not just value growth, but volume growth.



FI: Both of you have approached this mission from two different routes, isn't it?

MARIWALA: Yes, my model is different. I don't invest in these enterprises. In fact, I spend from my own pocket.

We are not investing by design. The moment I start investing, people will think I have a business interest. I want to de-segregate that. Whatever I am doing for the entrepreneur is free of cost. I am managing everything at my cost in terms of selecting the groups, training facilitators, etc.

So, my approach is different from his [Biyani's]. The objective is different. It is very tempting for me to do something because many people have said, "Why don't you guys at least start investing in some of the high potential ones". The moment I start doing that, people will start saying, "Oh, he isn't doing this for PSR [personal social responsibility], but actually to make personal money out of it."

FAST FACTS

Name **Kishore Biyani**

Rich List Rank, 2011 **93**

Net Worth (2011) **$475 mln**

BIYANI: We listed our companies thinking we would be a GE, Berkshire Hathway kind of model, but nobody understood it! We sold shares at Rs 10. Nobody took it even then. We have invested in 15 companies. We forecast our fashion companies will be Rs 2,000 crore-plus in the next year, and the food portfolio will be Rs 1,000 crore-plus next year.

FI: How long did it take you to design the programme?

MARIWALA: I found that dealing

{Conversations}

with startups wasn't working. Each one has a different set of difficulties, and owners are too much in love with them to realise they need to break them up. The first filter was no startup, only scale up. Select entrepreneurs who have proven enterprise.

The biggest change is that the role of the entrepreneur has to shift. You can do what you were doing when you were small. But when you grow to a large size, entrepreneurs aren't able to give up control, unable to trust others, and, therefore, can't attract talent.

In fact, I follow a simple motto: If you're small, you have to do things. When you're medium-sized, you have to get things done. And when you're large, you have to influence things.

FI: Drawing from your own experience, what can *entrepreneurs learn from managing business transitions?*

BIYANI: When you grow in age, your opinion and thoughts change. It happens with every entrepreneur. Nothing is permanent. Your thought processes evolve as the business evolves, as the economy and the environment evolve. The bigger challenge is to be relevant to the new environment. The biggest fear that I have as an entrepreneur is to be relevant, because if I'm not in touch, if I'm not able to understand changing consumers, I'm absolutely irrelevant. We have to be proactive. We have to watch popular soap operas, stay updated. We impact the relevance that we build up to the entrepreneur we are advising.

MARIWALA: Getting the outside-in thinking to the organisation is the most important role of the CEO. You bring it in through your interactions, and by searching. Regardless of size, it has to occupy your mind. If you are small, you are looking at the short term. The business model isn't clear yet. There is a huge learning curve, and high uncertainty. But once you reach a certain scale, issues start to change. In the medium term, you need to look at beefing up the organisation structure, building specialist functions, building orgsanisational culture, bringing in systems and processes, leadership team building, image building. As you become large, you need to start looking at the long term: Managing shareholders, the board of directors, CSR, sustainability, succession planning, M&A capabilities, the next two layers of management, etc. Also, the key question is, how do you retain the culture of entrepreneurship and agility when you become large and bureaucratic.

FI: Any examples of entrepreneurs who you've been able to positively influence?

BIYANI: Let's look at Biba. The *entrepreneur has the ambition to scale* up because he is a category leader. And the category is growing, and it is a good brand. His challenge is giving up control. As a group, we are supporting him in terms of financial accounting, inventory, advertising, and logistics. Our distribution is there to support him. We invested in him when he was at a turnover of Rs 30 crore, now he has a turnover of Rs 300 crore, with a Rs 70 crore EBITDA [earnings before interest, taxes, depreciation, and amortisation].

FI: Is there something called scaling up too fast?

BIYANI: If we look at Capital Foods, the entrepreneur is very enterprising and wants to grow fast. He wanted to get into the noodles category. He went in with two brands and got decimated by the number of brands that got launched. He wasted one or two years: One year per mistake. It is very

ASCENT
(ACCELERATING SCALING ENTERPRISES)

Founder **Harsh Mariwala**

Aim Scaling up proven businesses through peer learning 'trust groups'.

Learning Approach Trust groups where entrepreneurs interact with investors, knowledge partners, and each other. Collective learning instead of individual guidance.

Who Shaped the Idea 20 other entrepreneurs, similar business in USA, management experts like Ramchandran.

Style Hands-off approach. Not-for-profit model, supported financially by Mariwala, mentees pay joining fee.

Current Subscription 100 entrepreneurs selected: Total Rs 2,800 crore turnover, 12,500 employees.

Overarching Philosophy "If you're small, you have to do things. When you're medium-sized, you have to get things done. And when you're large, you have to influence things."

Dominant Belief Enabling, rather than spoon-feeding entrepreneurs is one's personal social responsibility.

Resources Made Available Consultants, business networks, venture capitalists, 3-member industrial panels, meeting facilitation training, individual coaching, prominent speakers.

difficult to recover, but he has become smarter. So, now, I'm dealing with a wiser entrepreneur, who earlier never admitted to mistakes, but is willing to do so now. As entrepreneurs, we have to learn to laugh at our mistakes.
MARIWALA: It's okay as long as some businesses are doing well. Failure is the only route to success. If you stop taking risks, you don't succeed. It's good to fail. Only then will you experiment. At Marico, I've had to deal with entry-level managers who would pass out from management schools thinking they are God's gifts. They don't want anything negative on their record. So they are risk averse for the first two-three years. Therefore, we learnt that we had to give new product responsibility to middle- or senior-level managers.

FI: India, it is often said, is a difficult place to do business. What advice do you give entrepreneurs when it comes to dealing with the myriad rules and regulations that we've spawned as a country?
MARIWALA: My simple advice: Don't enter sectors where you need to go to the government! You can operate on your own in IT. By and large, you don't need to go to the government.

Besides, nobody knows the regulations most of the time! But the solution is a proactive relationship with the authorities. For example, the Food and Drug Administration can pick up samples. We have consciously worked with them by training their inspectors. That's how you get goodwill, by adding value to government legally.
BIYANI: We believe we are governed on everything. For example, if you have extra sugar or extra oil, it comes under the Extra Commodities Act. We face these issues everyday. Whenever we do a big promotion day, there are issues that come up with our stores. Till now, we've been lucky that we've always managed to be within the rules or get the rules amended if required.

FUTURE VENTURES

Founder **Kishore Biyani**

Aim Value creation in retail using Future Group resources.

Learning Approach
Well performing, medium-sized entrepreneurs in retail leverage Future Group's resource network, knowledge pool and expertise to increase their value.

Who Shaped the Idea
GE, Berkshire Hathaway, other global venture capitalists.

Style Hands-on approach. Controlling or joint venture investment, coupled with close management and decision-making influence. Sharing Future Group best practices.

Current Subscription
15 businesses, including Biba, Anita Dongre Designs, Indus League Clothing, Capital Foods, Holii, and Indus Tree.

Overarching Philosophy
"Remaining relevant. I'm not in touch with the country, if I'm not able to understand changing consumers."

Dominant Belief Every solution has already been written. Your way of thinking is always changing depending on what information you seek.

Resources Made Available
Front-end: Consumer behaviour, distribution networks, marketing insight, Back-end: Sourcing best practices, retail networks.

FI: What's the one thought you held constant, even though everything else changed?
BIYANI: Small is beautiful! It's not about the top line. We are going to assess how many lives we are influencing. How much can we spread? Unfortunately, we always look at the rupee turnover. I think what his work is doing is influencing lives. The measurement system is not in the rupee terms.

FI: Are most young entrepreneurs you deal with hungry to scale up?
MARIWALA: Not all, but some. The key insight is that it's lonely at the top. They don't have many places to talk, many are single, so the fact that they can meet in a confidential space and talk about their issues openly is liberating in itself. "I have a raid on me", or "I have a strike coming up", or "Somebody has cheated me"—anything can come up at these roundtables.

FI: Did you have networks to help you scale up?
MARIWALA: I had some support. I had a peer network. It was beyond business, it built relationships. I became a better individual by interacting with other like-minded people.
BIYANI: Everything around you tells you something. If your mind is inquisitive, you will find information automatically. You have to create an opportunity for yourself.

FI: India needs many more entrepreneurs. I do hope that your endeavours bear fruit. Nothing could be better for India's entrepreneurial renaissance. Thank you for sharing your perspective.