

CRITICAL EVALUATION OF A FEW INDIAN ENTREPRENEURS

Dr. L. Suresh Mallya
Dr.N.R.V. Prabhu

Abstract

Entrepreneurs play a key role in any economy. They are the people who have the competencies and initiative necessary to take good new ideas to the market and make the right decisions to make the idea profitable. The reward for the risks taken is the potential economic profits the entrepreneur could earn. He is one who creates, founds, or originates; he is an architect, author, creator, founder, inventor, originator, parent, and patriarch. The study of entrepreneurship has relevance because of the economic contribution of these new ventures. More than increasing national income by creating new jobs, entrepreneurship acts as a positive force in economic development by serving as the bridge between innovation and market place. Thus the entrepreneur serves as the major link in the process of innovation, development, economic growth and revitalization. The study of entrepreneurship and education of potential entrepreneurs are essential parts of any attempt to strengthen this link so essential to a country's economic development.

Key Words: Risk, Economic contribution, Innovation

Introduction

India is a very young Nation – just over 64 years since independence – setting out on a path of sustained economic growth, for decades to come. We already have over a billion fellow Indians. Within the next 20 years, we will have 400 million people below the age of 35 years – more than the entire population of the United States. Each person, in this bold new generation, will be in the prime of his or her life, striving for a better tomorrow – creating, in the process, new growth opportunities, for budding entrepreneurs. On the most conservative basis, our domestic consumption, in virtually any sector, has the potential to at least double, or treble, from current levels – perhaps, just to catch up with a country like China. Then, there is the entire global opportunity, across diverse sectors internationally; the "Made in India" tag is now an increasingly respected brand, valued for quality, reliability, and competitiveness. Truly,

with economic reforms in the country, and with the virtual removal of all trade barriers, the world is now our market – and our opportunity. The pursuit of these opportunities requires an indomitable spirit of entrepreneurship.

Need for the study

Modern India is in need of substantial growth of the industrial and agricultural sectors for her march towards a global power and to successfully meet the social obligations such as poverty alleviation, raising standard of living, and meaningful employment to all. The role of entrepreneurs in this aspect is highly significant. Indian entrepreneurs have been instrumental in shaping the destiny of millions by providing them employment in their enterprises, venturing into untested arena, and introducing innovative business strategies. This naturally draws our attention to investigate as to how Indian entrepreneurs succeed in their ventures and the essence of

such enquiry can be used as benchmark for budding and aspiring entrepreneurs. Along with 2 successful entrepreneurs, 1 case of failed entrepreneur has also been included in this study. This remains a testimony to the fact that there are numerous entrepreneurs in India, who having succeeded in venturing into their dream projects, could not consolidate due to various faulty strategies and eventually met with failure.

Case-1:**Karsanbhai Patel – Nirma**

Born into a farmer's family from north Gujarat, Karsanbhai finished his B.Sc. in Chemistry at age 21 and worked as a lab technician, first in the New Cotton Mills, Ahmedabad, of the Lalbhai group and then at the Geology and Mining Department of the state Government. In 1969, Karsanbhai set up Nirma, selling detergent powder. This was an after-office business - the one-man company would bicycle through the neighbourhoods selling handmade detergent packets door to door. At a price of Rs. 3 per kg, (one third the price of leading detergents), it was an instant success. After three years, Karsanbhai felt confident enough to quit his job. Later he said: "the lack of any such precedent in my family made the venture fraught with fear of failure. But farmers from North Gujarat are known for their spirit of enterprise." Karsanbhai set up a small workshop in an Ahmedabad suburb. The Nirma brand quickly established itself in Gujarat and Maharashtra. The high quality and low price of the detergent made for great value. Fueled by housewife-friendly advertisement jingles, Nirma revolutionized the detergent market, creating an entirely new segment in economy detergent powder.

At that time, detergent and soap manufacture was dominated by multinational corporations with products like Surf (detergent) by Hindustan Lever, priced around Rs. 13 per kg. Within a decade, Nirma was the largest selling detergent in India. Since production was labour intensive, Nirma also became a leading employer. Since Nirma was low on chemicals and phosphates it is more environment friendly. After establishing its leadership in economy-priced detergents, Nirma entered the premium segment, launching toilet soaps Nirma bath and Nirma beauty soap, and premium detergent Super Nirma detergent. Ventures into shampoo and toothpaste were not as successful, but the edible salt Shudh is doing well. Nirma beauty soap is one of the leading toilet soaps, behind Lifebuoy and Lux. Overall Nirma has a 20% market share in soap cakes and about 35% in detergents. Nirma also has successful operations in neighbouring countries.

Case-2:**Kochouseph Chittilappilly – V Guard**

Kochouseph is a post graduate in Science majoring in Physics from Calicut University. He started his career as a Supervisor in an electronics company, where he worked for three years. In the year 1977, he started a SSI Unit engaged in the manufacturing and selling of Electronic Voltage stabilizers. For Kochouseph, life has been a roller-coaster ride. After a short stint at a voltage-stabiliser manufacturing unit, he decided to start his own venture. V-Guard scored on quality and after-sales service. That is why it has now become a name you can trust, he says. The astute business mind of the physics postgraduate sensed that Keralites would soon buy more refrigerators and televisions,

and unreliable power supply would make them run for his product. But not everybody shared his vision and finding capital was difficult; banks were not impressed by his proposal, and refused to fund him. Nevertheless, in 1977 an undeterred Kochouseph ventured into stabiliser manufacturing with an investment of Rs one lakh that his father gave him. With just two employees, all that he could make were two stabilisers a day. Today, Kochouseph is one of the most successful businessmen in Kerala. His ₹165-crore V- Guard group is a household name in the State, with its flagship stabilisers and a host of products such as water pumps, water heaters, UPS, wiring cables and starters. V-Guard employs more than 4,000 people directly and indirectly. The group includes V-Star creations, makers of apparel ranging from designer churidars to lingerie, and the Veega Land amusement park. "What is more important to me (than money) is my self-esteem, mental peace, happiness and health," he says. Business circles in the State would agree that this is a sincere remark from a genuine, straightforward businessman who values ethics to the hilt. Kochouseph is both a leader and a team player. "I believe that the achievements of V- Guard group are not entirely due to my abilities. I realize that our managers, staff and other associates have played a major role in bringing V-Guard to this level," he says. But more than anything else, it is perhaps his penchant to be original, passion for his brand, and a common sense approach to management that keeps V-Guard stand apart from the crowd.

Case-3:

R. Subramaniam – Subhiksha

Subhiksha was an Indian retail chain with 1600 outlets selling groceries, fruits, vegetables, medicines and mobile phones - discount stores at prices which are much lower than other retail outlets. The name Subhiksha means prosperity in Sanskrit. It opened its first store in Chennai in 1997 with an investment of about Rs. 50 Lakh. It was started and managed by R Subramaniam, an IIM Ahmedabad alumnus. Subhiksha planned to open 1000 outlets by December 2008. Subramaniam also planned to invest Rs.500 crore to increase the number of outlets to 2000 across the country by 2009.

Troubles started for Subhiksha in late 2008 when the company ran out of cash, bringing its operations to a standstill. Subhiksha faced severe financial crisis pertaining to liquidity. Rumours that Subhiksha was in a precarious position started in September 2008. That month, employees did not get their salaries. The cash shortage eventually resulted in Subhiksha closing its nationwide network of 1,600 supermarket stores, and defaulting on loans, vendor payments and staff salaries. All stores across the country were shut down. There was no money in the bank accounts of Subhiksha, a company which had just the previous year claimed sales of Rs. 2,300 crore. When Subhiksha was struggling and sought restructuring of its loans, the world was in the middle of its biggest economic downturn. Subhiksha did not realize that a few stores would be profitable and generate positive cash flows, in that troubled times. It moved across different sectors such as medicine, grocery, IT, mobile etc. very fast. Instead of stabilizing and consolidating itself

first in existing places and then moving to newer locations, Subhiksha tried to be the first in every town. Subhiksha's bad legacy of credit defaults resulted in supply chain breakages – leading to situations where sometimes the stores had very high inventory and at others, the stocks were out. This caused trust deficit in customers.

Subhiksha closed down in 2009 amid allegations of defaults, non payments of wages and bankruptcy. The people behind it are still struggling to come up with valid explanations. Two points are glaring as to why Subhiksha went wrong:

- o Expansion against consolidation: With the availability of free capital and the irrational performance of the markets, people try anything and everything to just expand without actually looking back at what they have achieved. Subhiksha went on expanding without gaining breathing time without first consolidating their previous successes.
- o Lack of Focus: Once they see profits they quickly try to become a conglomerate. It is just not one company they will run but they will create offshoots. In the end they forget what they really want. In Subhiksha's case, it was the lack of focus on the product mix they were offering.

Retail is a different ball game as achieving clear focus is difficult. Before opening the nth store, they should have checked whether people are buying a mobile from them or from a specialized mobile store. The customer

would rather go to a store which has a specialization for the thing we want to buy. We just do not want to waste time in a shop which offers everything and anything only to find that they do not offer a thing which we want.

Alas, Subhiksha which began operations in 1997 was closed down in 2009, owing to business mismanagement and a severe cash crunch.

Conclusion

Ambitions or compulsions alone may not make an entrepreneur. Sometimes, the encouragement he got from his family members or his friends and relatives, the experience he gained in employment, the skills he/ she has developed also facilitate the exercise of entrepreneurship. Many factors may come up in the way of starting an industry. For example, encouragement of the family elders is very much needed in the process of establishing a unit. If they are reluctant, quite naturally, it is difficult to expect support from others including entrepreneur's spouse. Moreover, first generation entrepreneurs generally face strong opposition from their parents as occupation pursued by the family so far is different from what is going to be done by the entrepreneur. There are significantly more entrepreneurs in the families of noted social echelons, exhibiting more thrust on their risk-taking and adventurous qualities of their way of life. We may even conclude that there is a clear effect of family variable on the choice of every successful entrepreneur.

References

1. Ankur Budhiraja and Dr. Bhawna Bhatnagar, *Entrepreneurship and Small Business Management*, Vayu Education of India, New Delhi, 2009.
2. Banumathy, Dr.K., Dr. Prabhu N.R.V. and Nagendran R., *Entrepreneurship Management and Development of Small Business*, Centre for Research and Action for Integrated Development, Chennai, 2002
3. Batra, G.S., *Entrepreneurship Business: Failure and Turnaround Management*, South Asian Journal of Management, Hyderabad, Vol. 2, No. 394, July-Dec. 1995.
4. Batra G.S., *Development of Entrepreneurship*, Deep and Deep Publications Pvt Ltd., New Delhi, 2002
5. Chadha, V. and R.S. Johar, "Industrial Development of Punjab: Pattern, Problems and Perspective", *PSE Economic Analyst*, Amritsar, Vol. II, Dec., 1980.
6. Chandra, Poojary M., "Small Scale Sector: Myth and Reality", *Economic and Political Weekly*, Vol. XXXI, No.21, May, 25, 1996.
7. Dean A. Shepherd, Robert D. Hisrich, and Michael P. Peters, *Entrepreneurship*, Tata McGraw Hill Education Private Limited, New Delhi, 2007.
8. *Entrepreneurship Skills*, Special Edition, MBA Review, IUP Publications, Hyderabad, 2010.
9. Geoffrey G. Meredith, Robert E. Nelson, and Philip A. Neck, *The Practice of Entrepreneurship*, Sultan Chand & Sons, New Delhi, 1994.
10. Hussain, Abid, *Small Enterprises Protection*, Laghu Udyog, Vol. XXII & XXIII, No.6 to 7, Jan- Sept 1998.
11. Mahima Rai, *Horning Entrepreneurial Skills: Role of B Schools*, MBA Review - Special edition on Entrepreneurial Skills, Hyderabad, 2010.
12. Mohamed, S. E, *Marketing in 21st Century*, Indian Journal of Marketing, XXXII (11), 15-20.
13. Nandan H., *Fundamentals of Entrepreneurship*, Prentice – Hall of India Private Ltd., New Delhi, 2007
14. Nandy, A., *Entrepreneurial Cultures and Entrepreneurial Men*, Economic and Political Weekly, Vol. VII, No. 47, Bombay, Nov. 1974, pp. 98-105.
15. Patrick Turner and Chris Boulton, *Mastering Business in Asia*, Entrepreneurship, Willey India Pvt Ltd., New Delhi, 2006
16. Surinder Kapur, Raghavendra Rao and Sanjeev Bikhchandani, *Genesis- Creating value through entrepreneurial initiative*, Vikalpa, April-June 2007.
17. Thomas W. Zimmerer and Norman M. Scarborough, *Essentials of Entrepreneurship and Small Business Management*, Prentice-Hall of India Private Ltd., New Delhi, 2006.
18. Vijaya Banu P., *Entrepreneurship Development*, Angel Printers, Kumbakonam, 2006.

About the Authors:

Dr. L. Suresh Mallya - Associate Professor
in Management, SRM Valliammai Engg.
College :lsureshmallya@yahoo.co.in

Dr.N.R.V. Prabhu - Director, Shri
Sunshine Group of Institutions, Rajkot,
Gujarat, Research Supervisor of Suresh
Mallya : drnrprabhu@yahoo.com