

# The Anatomy of Rebuilding & Recovery

A CEO LOUNGE INITIATIVE

## Are Indian startups disruptive enough?

*In conversation with*



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# Are Indian startups disruptive enough?

*In the startup world, every country seems to have settled into a space – China has the perfect supply chain, Japan delivers top-notch quality, Israel drives technological transformation, the US provides the world with business innovations, and Germany leads in precision. Where does India stand amongst these stalwarts in the startup race? What did Ratan Tata mean when he pointed out that India didn't have as many disruptive startups as he saw overseas? Is disruptive innovation just another buzzword in the Indian context?*

Words by **Priyanca Vaishnav**



**T**he Indian startup ecosystem has emerged, settled and is all set to exponentially take off in the span of less than two decades. From being an unfriendly, muddled space to being the third-largest, fastest-growing ecosystem in the world, India has come a long way, and it has arrived in style. India churns close to 2,000 formal startups every year, and has close to 30,000 registered startups as of February 2020<sup>1</sup>. Many startups, which are largely successful businesses

and have enviable valuations to their credit, are simply copies of successful models from the west, tweaked to suit the Indian market. While most startups in India have not shaken incumbents like 'disruptive innovators' by definition, they have definitely helped discover new market segments, or bridged gaps between existing ones. It is also interesting how a whole ecosystem has organically evolved, with startups that breed startups, enablers, incubators, accelerators, angel investors and venture capitalists.

## OF SUNRISE SECTORS AND MOONSHOT NATIONHOOD

The startup ecosystem is fairly young in India, a country of contrasts — being a software services export nation, to missing tech stacks for the domestic market, from having one of the largest expat population in the world to a sphere where local businesses were staring at a gap when it came to people skills till a few years ago. An innovator today should not have to face challenges with the basics. “We are now looking at a canvas where we know and understand things better than before, and the innovator’s dilemma has shifted to building pieces that are less visible. Android, Jio have been great equalisers, reducing the cost of devising products and services, providing better access to consumer markets,” explains Rahul Chandra, Managing Director, Arkam Ventures.

If India’s moonshot moments were set back by the lack of basic startup infrastructure, it has also had

its share of brilliant innovations, with ideas taking shape, and new normals being established each day, that added dimensions to western models of ‘disruptive innovation’.

When disruptive innovation appeared as a theory in 1995, that Clayton M of Harvard Business School proposed, it went beyond devising new products and ground-breaking models. This was a broad term to describe any innovation that shook industry incumbents, and a work in progress, where new research and insights added onto the model’s metrics. “Disruptive innovation is a process by which a product or service starts at the bottom of the market and challenges the established players. Innovation can be two ways, one being the idea and the other being the execution. Many companies may have taken idea but have executed it their way,” informs Umesh Adhikary, President and Head, Chairman’s Office, Aditya Birla Group. Citing the example of Flipkart, he



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Co-Founder & CEO, Zolo

adds, “When Flipkart launched in 2007, credit card infiltration and digital banking exposure was very low and limited, which made Flipkart’s ‘cash on delivery’ an innovation in itself. It was a simple yet effective tool to make the whole e-commerce platform work, making execution a key factor in success.”

### ALLOW A THOUSAND FLOWERS TO BLOOM

Does India have a coherent talent pool, research ecosystem and fundamental innovative skills, that can catapult its startup scene, or are there missing pieces that still need attention?

“Our startup scene started about 14 years ago, and the evolution has been admirable. We were copying and pasting western ideas, which then metamorphosed into potential in the B2C space, and now we see horizontals in tech emerging,” informs Ravi Narayan, CEO, T-Hub. The biggest hurdle India has crossed is getting over the fear of failure, setting a rhythm of thinking beyond the obvious, and moving towards a phase where people won’t shy away from taking on challenges beyond the comfort of a

monthly pay cheque. Says Chandra, “The search for a product manager 10 years ago would take us to the US. Converting a disruptive idea into a product idea, that whole translation was missing. But last 10 years, we have seen a lot of startups which are producing this skill. They are now going out and have a better ability to translate the disruptive idea into a business plan.” India is a work-in-progress, but the shift has been encouraging. “When we are building an ecosystem, we cannot compare ourselves with ecosystems which are already 60-70 years into the startup space. We are in a place where there are complex problems that haven’t been taken on yet. Which is why we see Indianised versions of existing models. The pandemic is a health and economic crisis. But it has also been an opportunity for many startups,” attests Narayan.

### OPTIMIST BY DESIGN, PASSIONATE BY CHOICE

What was a corporates vs startups race, now has emerged into fruitful collaborations, and successful partnerships. The corporate world today



acknowledges the presence of startup, reaches out, and even assists through hand holding and funding. "The debate between the corporate vs startup is no longer relevant. The acqui-hiring model has seen its share of success, where we look at options of fitting in technologies into our corporate. Even if the startup is a failure, we are open to a collaboration," expounds Adhikari.

Aping the west is not all hunky-dory. Indigenous Indian startups have also faced hiccups in pitching their ideas to potential investors since they were not another borrowed idea. "We are eternal optimists by design. When we ventured into the co-living space, we did not have the relative pitching proposition for our idea to convey that we were the Airbnb or Uber of India. We did struggle initially with a series of daily rejections. But we must understand that the venture capitalist is on his own journey, and is learning too. The venture ecosystem today is taking aggressive steps and investing in bigger ticket sizes. We are now entering into the stage of Indian businesses saying this is for India, by India," elucidates Dr Nikhil Sikri, Co-

Founder & CEO, Zolo. There is a change in the Indian business mindset as well.

The corporates and bigger businesses today embrace startups because, among other things, they notice the value addition the startup's innovation adds to their existing structure. "We have special housing programmes with corporates which were unimaginable five years ago. Giving a shot, a window is all that a startup needs most of the time. And today, all corporates are open to creating those windows for startups," adds Dr Sikri.

### IDEAS ARE EASY, IMPLEMENTATION IS HARD

Entrepreneurship is equated with an appetite for risk and failure, many times the second choice or even looked down upon in social and cultural norms. "India once contributed close to 25 per cent of the world's GDP. We have lost the spirit somewhere along our journey here. There is no dearth of innovation in India. Smaller towns and villages are refreshingly innovative, and the solutions some of them provide are surprising. But the problem is they view themselves as job seekers and not problem-solvers. We waded through



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the day in an entrepreneurial spirit on a personal level, but lose focus when we zoom out in terms of applying the same spirit at a larger scale," points out Narayan. Indians have known to be resourceful and "jugaad" could very well be a way of life here, so the gap in innovation becomes a bone of contention. "I believe that building an organisation and having an innovative idea are two separate things. Building an organisation that is sustainable, can add value to all its stakeholders is a skill, a mindset that is built over time and comes with maturity. My biggest failure in the last 5 years was not a product failure but a horrendous organisational building mistake. We are innovative by design, it runs in our blood, but what we lack is a collective ecosystem for purposeful organic collaboration," expresses Dr Sikri.

**NOT SOLUTION, BUT A WAY OF LIFE**

Will honing existing innovation skills and infusing them into early formal education instil a sense of entrepreneurship, or is it something that has been cultivated as a virtue? "If India had to zero down on one grey area, that addressed could rocket India into the orbit of startups like SpaceX, education could be the key," asserts Murali Talasila, Partner and

Innovation Leader, PwC India.

Success builds, fosters and funds more success. When the basic requirements are met, entrepreneurs have the luxury to look at radical ideas, disruptive processes and new avenues to explore. "SpaceX would not have been there today if Elon Musk hadn't made money off PayPal, is something we have to pay close attention to," chips in Dr Sikri.

**GOVERNMENTAL & INSTITUTIONAL SUPPORT**

There is also a huge area of concern in the form of regulation and government support. Archaic laws, strict tax regimes, and unfriendly policies are also factors that hinder the unfolding of a radically disruptive idea with potential. Corporate India has been doing its bit with providing demand, capital infusion and playing the role of an incubator-accelerator. There are initiatives that the government has taken, through relaxed tax structures, identified SEZs but there is still substantial ground to cover, which only the government in its position of power can approach. "The government can assist startups by being embracive of them in their own consumption of products and services. When there is no dearth of demand, the startup will be led to look at bigger

<sup>1</sup> Official figure from the website of the Department for the Promotion of Industry and Internal Trade (DPIIT) is 27,916.

challenges. There are always bigger problems to solve. There are wonderful products, ideas and solutions emerging out of hackathon and hyperloop today. Our entrepreneurs today are poised to step up to the challenge,” suggests Narayan.

The most vital ingredient that makes any world go round, startups or otherwise, is money. People investing and ready to place their chips on startups with no concrete success roadmap, but revolutionary ideas is concept that is catching up fast.

“If we look at the typical investment community of HNI VCs, angels, a question we have to address is if they are ready to take risks with investments, and can they reach out to startups with new revenue models, being efficient capital enablers,” questions Talasila.

There is a movement in the funding pattern, and things have changed over the last few years. Venture capitalists evaluate newer startups for Series A and B rounds as well, which earlier used to be entirely a bootstrapped, founder’s only, self-funded

exercise. Forums and platforms that connect angel investors with startups, attract investments, crowdfunding, and tech investors simply interested in great solutions are all wonderful channels that garner and consolidate a medium.

Given the current economic state, the startups and the economy will share a symbiotic relationship. The next decade needs startups, established, unestablished, formal, informal, urban, rural, of all sizes and shapes fuelled by innovation and ambition to just do what they do the best — dream, create jobs and make the economic wheel run. Forced as it may seem, the Indian economy now more than ever needs entrepreneurship, that takes advantage of its demographic dividend in full throttle, and keeps the momentum going. The Indian startup ecosystem is young and has to be treated like a youngster should be — being gentle with norms, guiding it when it needs advice, assurance that it is ok to fail, and watching it grow. India promises to have vibrant, healthy startups and unicorns — unicorns that can fly!



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## TAKEAWAYS



**In the midst of chaos, there is always an opportunity:**

The Covid crisis is a space to thrive and take off.

**Failure builds character and funnels success:**

The grace to fail, learn and rise is a virtue that all entrepreneurs must engrain into their DNA.

**Innovation is equal parts ideas and making ideas happen:**

Execution of the idea is where most startups falter and fail, despite the idea in itself being ground-breaking.

**Think big, start small, learn fast:**

India is a work in progress, and has just begun its startup journey. The stage is set, and all that the startup ecosystem is waiting for is an exponential take off — which industry experts predict will happen in the coming decade.

**The problem is well, the problem:**

Most startups don’t have a clear view of the problem they are addressing, which is quite crucial to build a solution.

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