

A STUDY OF WHAT MAKES AN ENTREPRENEUR

# State/ Enterprise

Study of 2019

A deep-dive in to the life and mind of an entrepreneur, the journeys that made him/ her and insights on what to do when things don't go as planned.



# the big why & what

**1** The journey of entrepreneurship is seldom easy & often lonely. Most entrepreneurs tend to have no one to turn to for advice.

**2** Let's face it, most media loves success stories but seldom wants to talk about the grit and challenges of building a business.

But we sat across the room wondering if and how we could create a simple playbook using stories, lessons & initiatives the ones who made it undertook on their journey to **enterprise**.

This playbook is the State/ Enterprise Study of 2019.

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# inside the report

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Starting  
up



Early  
growth



Managing  
scale



Sustaining  
growth



I'm convinced that about **half** of what separates the successful entrepreneurs from the non - successful entrepreneurs is **pure perseverance.**

# starting up

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- Are entrepreneurs born or made?
- How did they realise their dreams of becoming an entrepreneur?
- What instigated them to become an entrepreneur?
- What convinced them that this was the right thing for them?
- What prompted them that this was the next big thing?



Founders usually get their big idea from opportunities that come in from their experiences.

Most founders know much before they turn 25 that they want to start their own venture (some as early as 15!).

Entrepreneurs aspired to start their own business early on in their lives itself. They waited for that big idea, which often came from something they encountered personally and relied largely on their personal competence for confidence. Once they circled in on the big idea, they jumped all in quite quickly.

The biggest confidence that an entrepreneur starts a business is based on his personal belief in his competence followed by the size of the market/ problem.

Founders on an average took less than 12 months to jump in to their idea full-time.



Ideas are a  
commodity. **Execution**  
of them is not.

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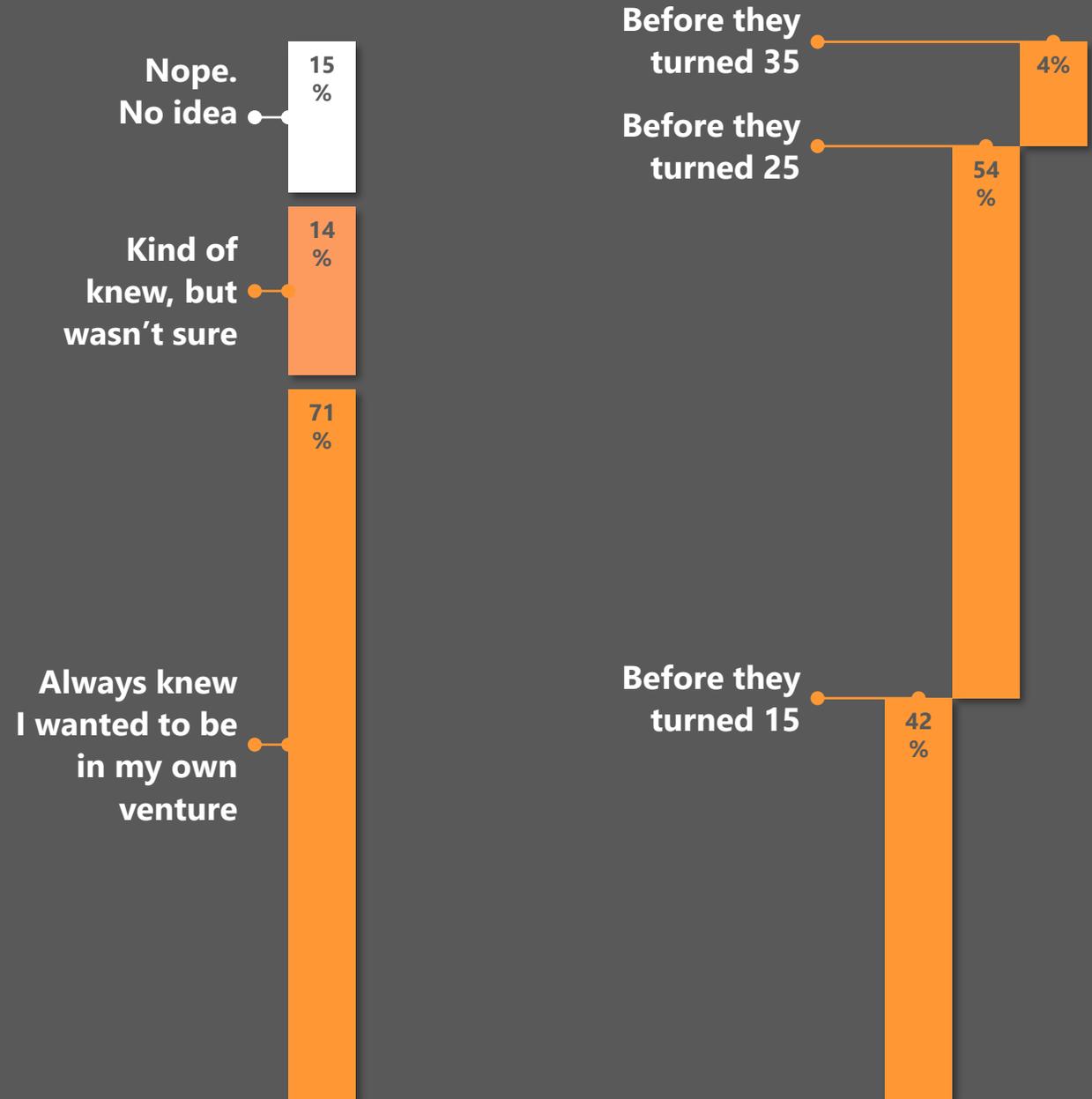
- Michael Dell  
*Founder, Dell*

# when did you realise you wanted to be an entrepreneur?

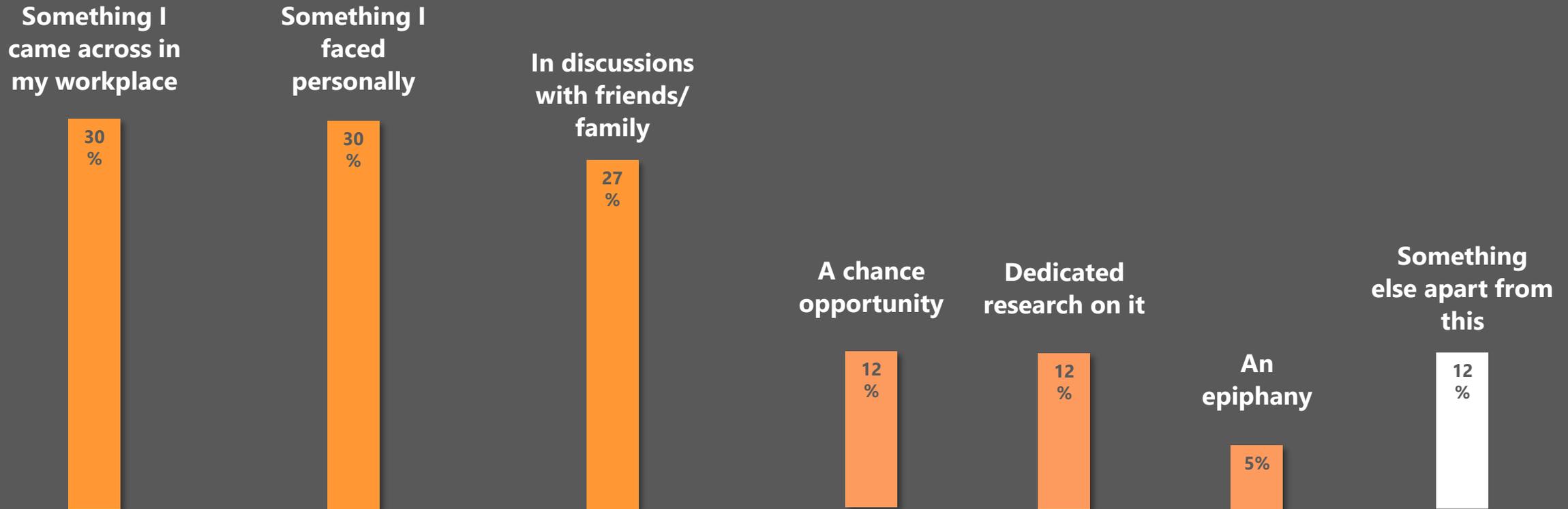
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The urge to become an entrepreneur always existed among the entrepreneurs. 71% knew they wanted to own a business since they were very young, while 14% had somewhat of an idea. Over 95% of the entrepreneurs knew early (before they turned 25) that this would be their calling. 4% realised in the course of their professional lives.

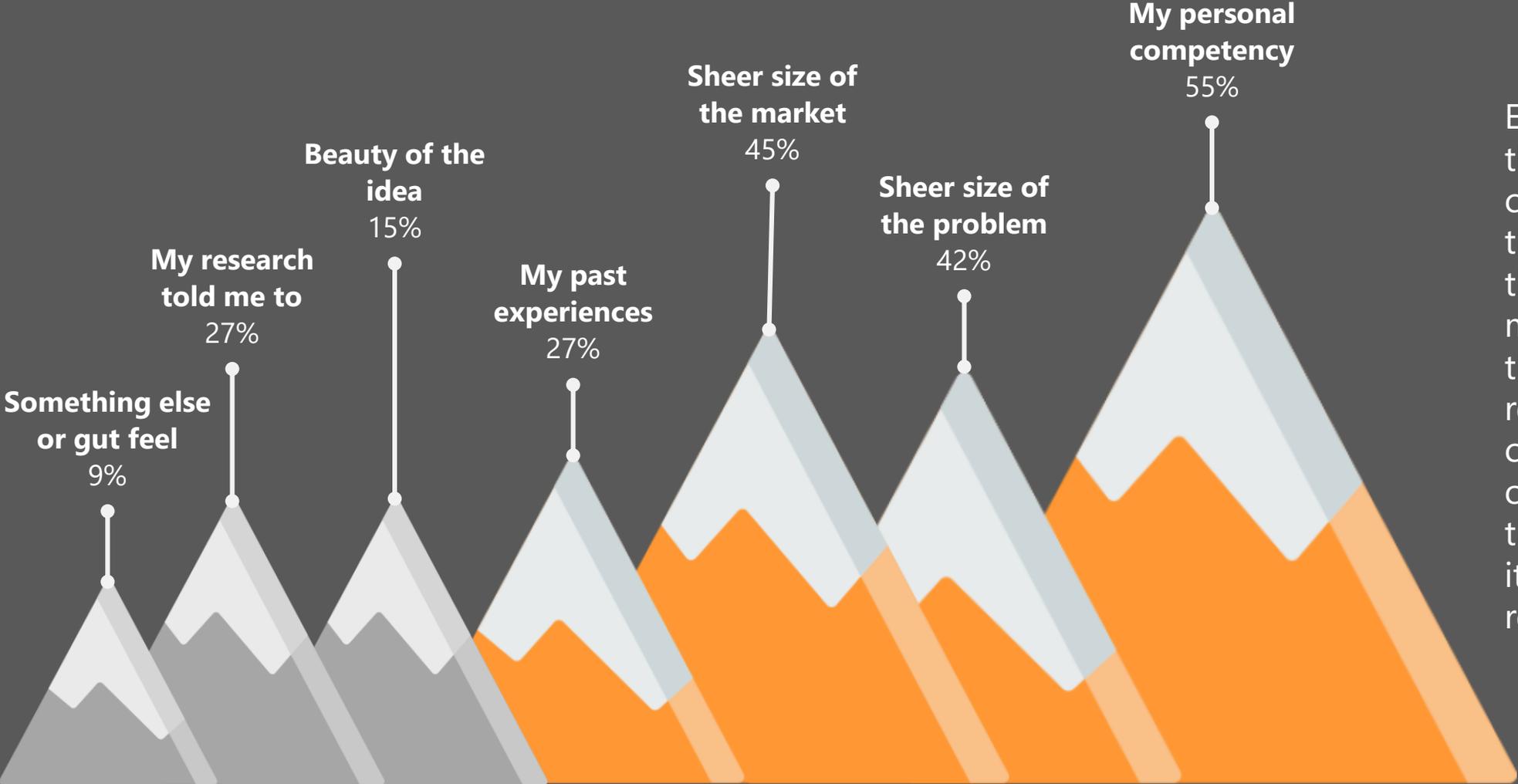


# how did you come up with the idea?



Most entrepreneurs (over 59%) came up with their start-up idea from something they faced personally or came across in their workplace. 17% attributed it to a chance. Only 12% from dedicated research on a subject matter that they found of interest to them personally. 27% attributed it to conversations with their circles of influence.

# and what convinced you that this was worth putting all your eggs behind?



Entrepreneurs trusted themselves and their capabilities more than the world around them - almost twice as many as those who relied on research. The second consideration was size of the problem and the market in solving it, at 42% & 45% respectively.

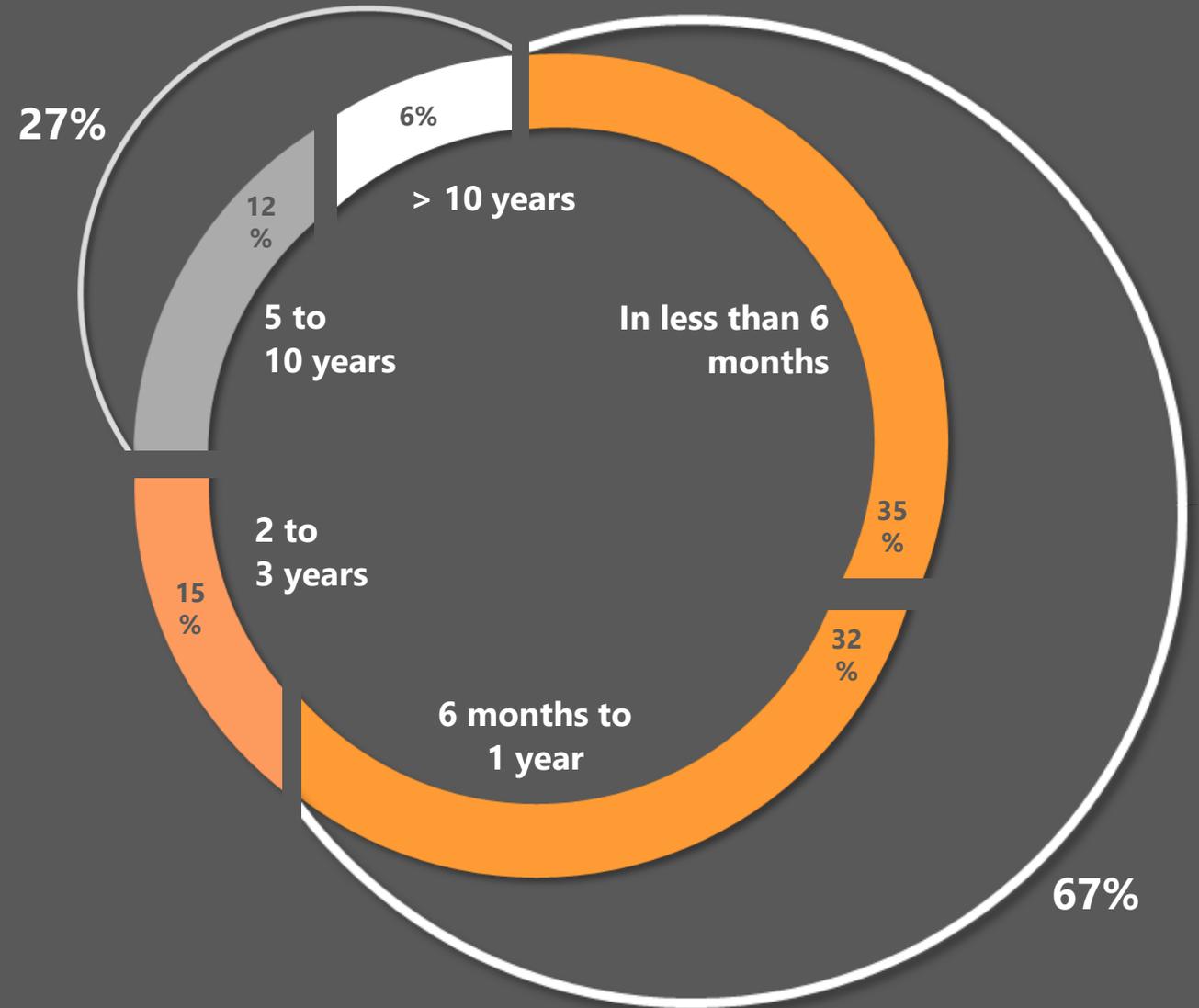
# how long did you take to move in to your idea full time from when you had the idea?

A majority of entrepreneurs (67%) jumped in to the execution full-time in under 12 months from when they had it. This is also a signal of the state of mind of an entrepreneur who believes in the value of focus and commitment to his vision.

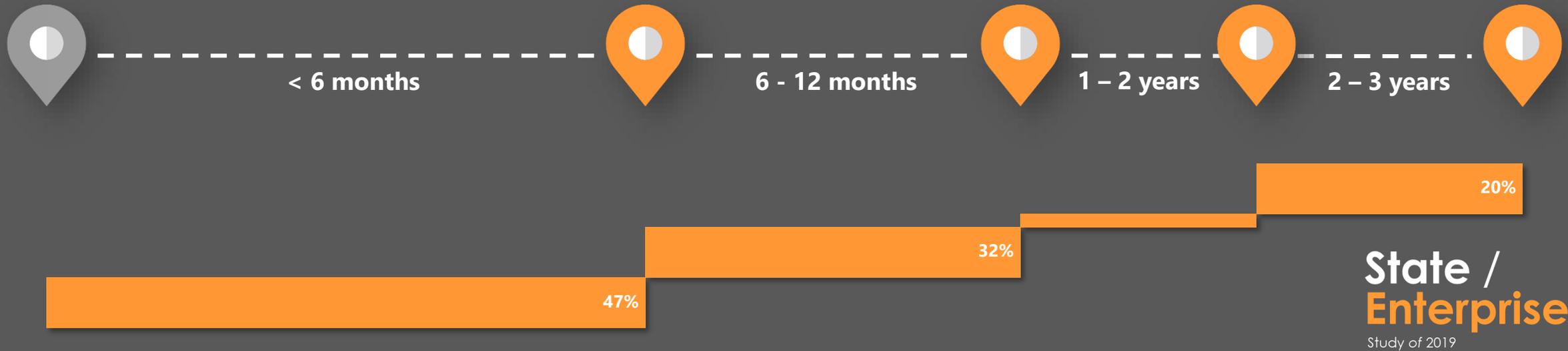
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On the other hand, almost a third of entrepreneurs preferred to think through the decision well enough and let it simmer in their minds before making the jump.



# how long did it take, once you moved in full time to get to making it in to an actual business?



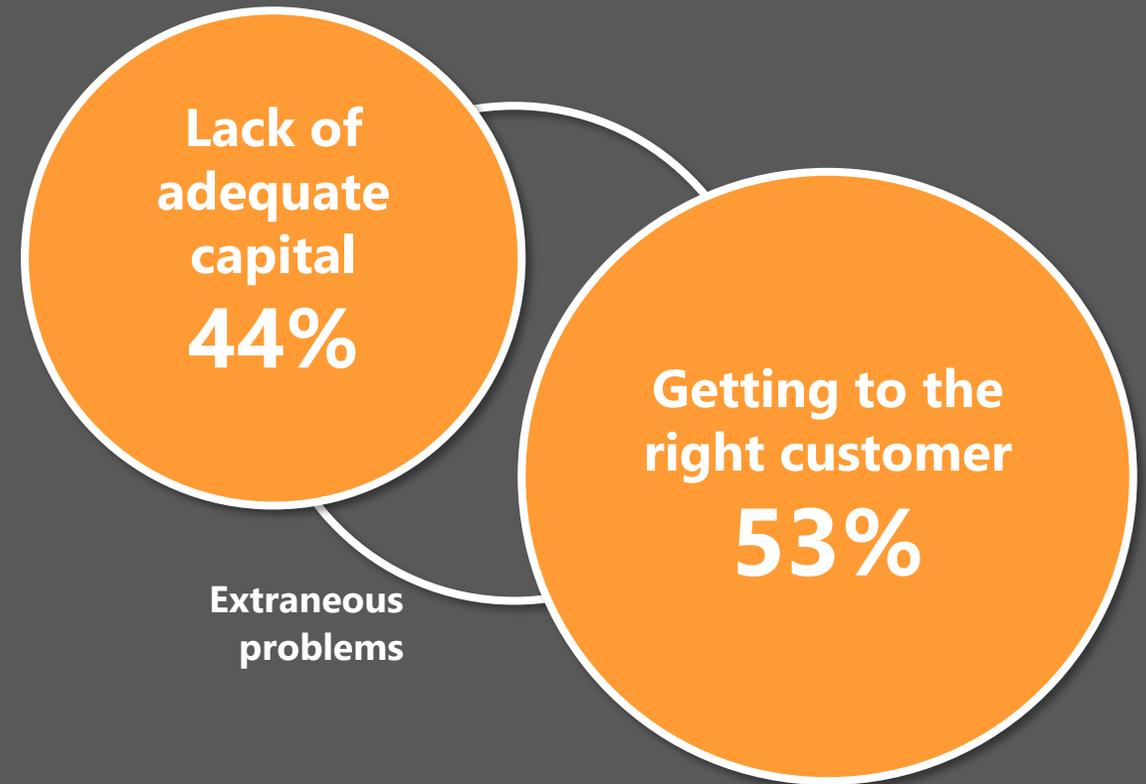
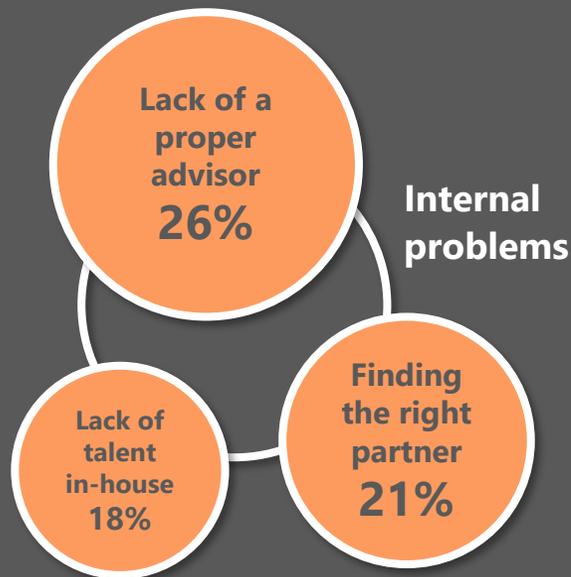
Not surprisingly, most entrepreneurs took less than 12 months to bring their idea to fruition by moving in on their idea full-time. It shows that entrepreneurs who made it made a commitment to do it early on itself.

Less than 1 in 5 waited for more than a year before they jumped in full-time.

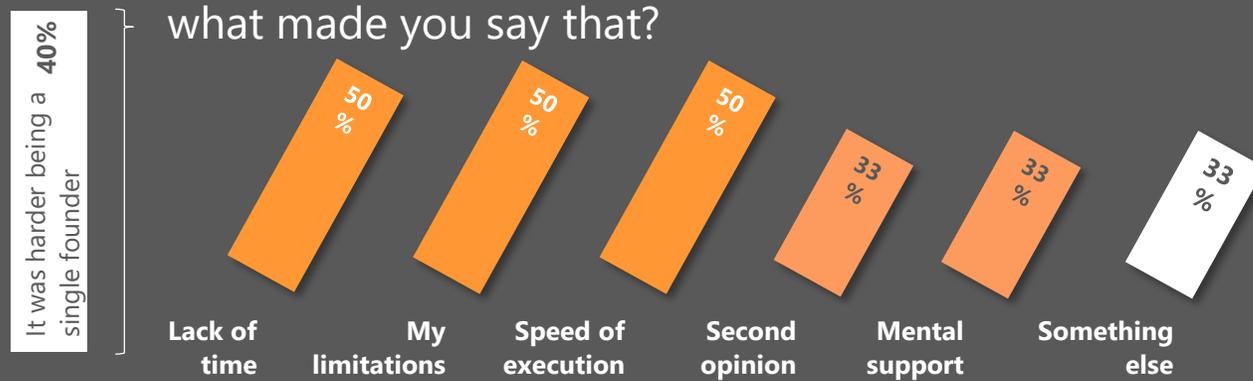
# so what were the biggest challenges you faced during this phase?

A large part of the initial challenge that founders faced were related to the getting access to sufficient capital and access to the right customer.

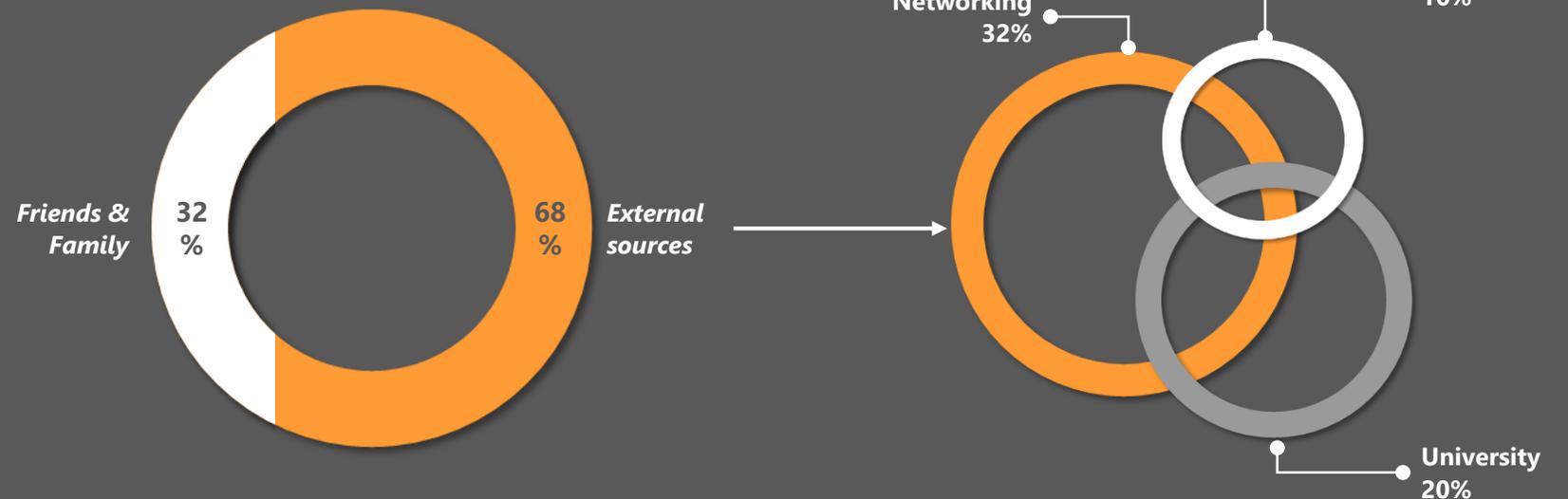
But internally, the place they faced challenges were in accessing a good advisor who could advise them on an ongoing basis or an advisory to take on some important roles. Another major challenge was in finding the right partner to share the load of working together.



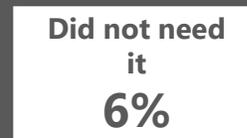
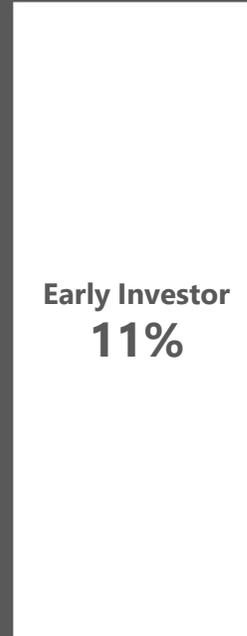
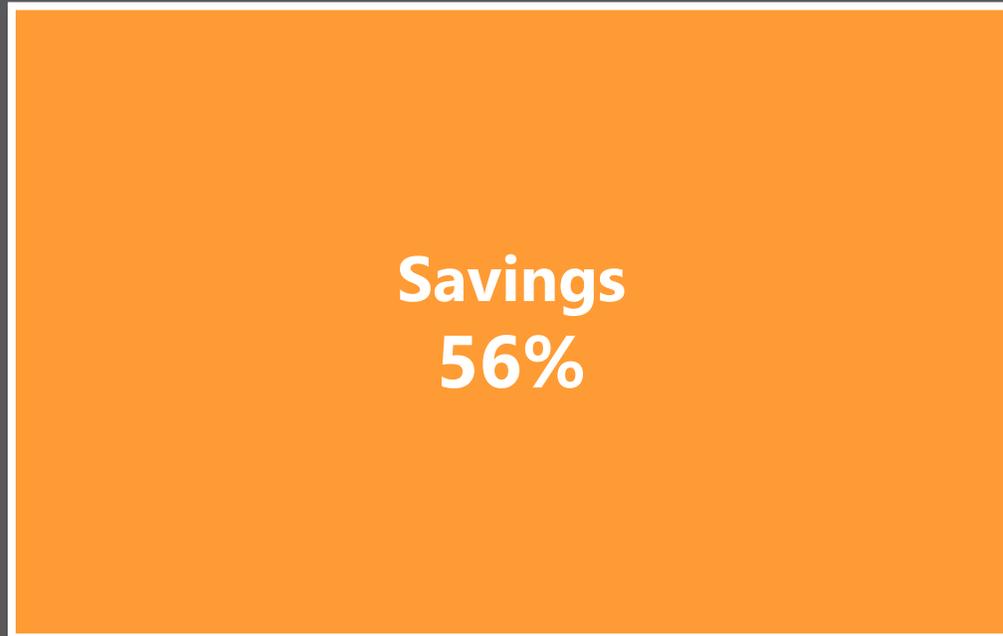
# and speaking about co-founders



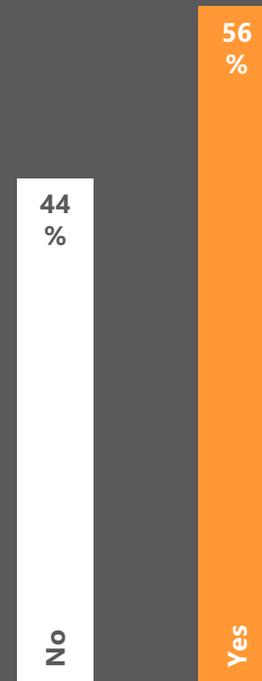
The challenge with single founders was mostly lack of support to get things moving and quickly.



# and speaking about funding



was accessing this particularly hard or challenging?



why do you think that was?



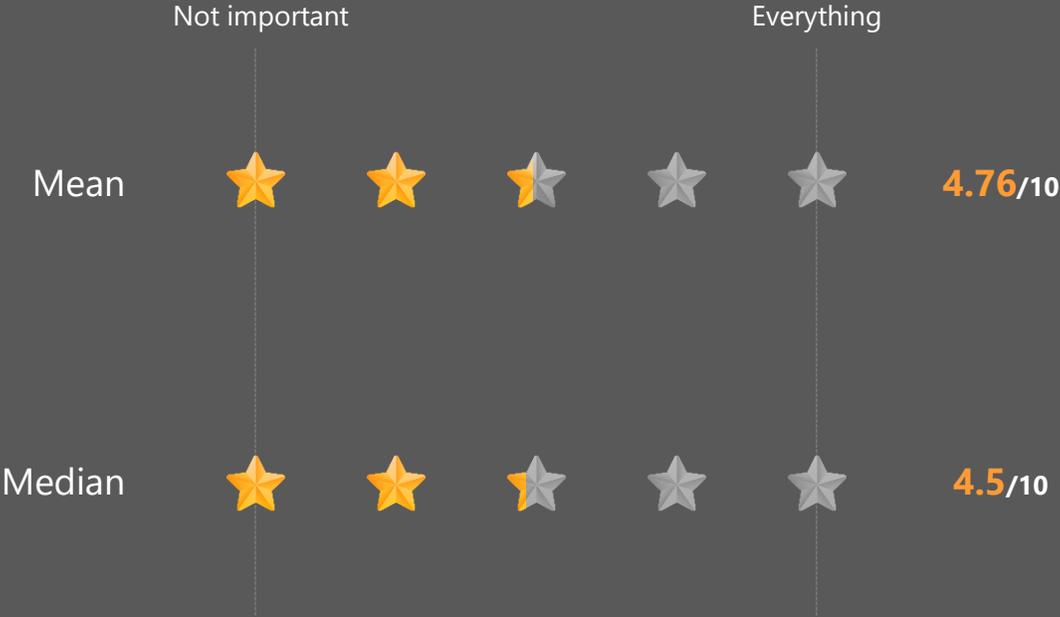
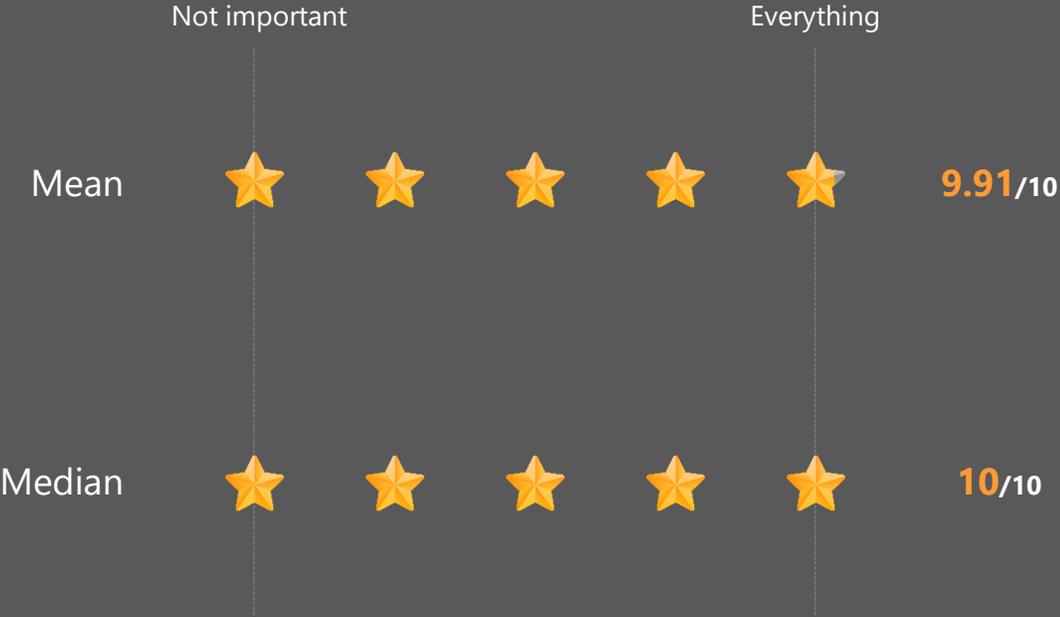
# what would you say your strength in this stage was?



# some softer aspects of what it takes to build a successful business

What is the **value of execution** in building a successful business?  
*on a scale of 1-10*

What is the **value of luck** in building a successful business?  
*on a scale of 1-10*



A large combine harvester is shown in a field, harvesting crops. The machine is white and black, with a long auger extending from the back. The sky is filled with white clouds. In the bottom left corner, there is a large orange number '2'.

# early growth

- How did they get the first sale and what got them that sale?
- What challenges did they face while building a brand and how they overcame them?
- What were the key lessons they learnt during this phase?
- How did they build their initial team and keep them motivated?
- What did they do in this stage that helped them achieve their plans?

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What do you need to start a business? Three simple things: **know your product** better than anyone, **know your customer**, and **have a burning desire** to succeed.

Earlier workplace relationships and friends & family are where most founders found customer 1.

Founders choose to outsource a large number of their functions early on.

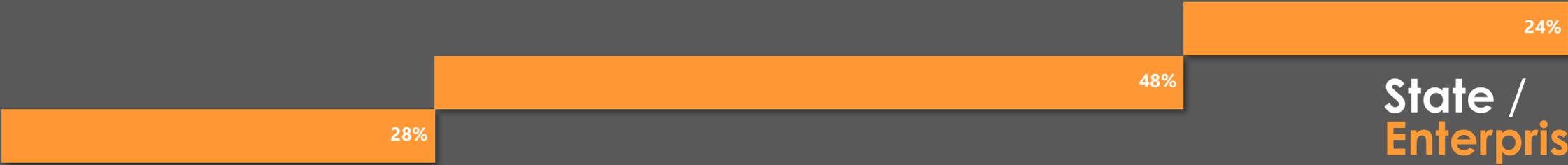
Even though a product/service, founders are not shy of going back to the drawing board and figuring things out from scratch.

Entrepreneurs tend to find their first customers from the relationships gathered over the years. They focus on the product/ service and keep their teams light, while slowly investing in the brand. They maintain a sharp focus on customer's needs and continually innovate internally but many suffer from the problems stemming from the lack of proper planning.

Product is the key sale point for the founder before building the trust of the market.

Lack of a plan, planning systems, tracking progress and measurements is a problem that affects most.

# how long did you take to get from the starting up stage to the early growth stage?



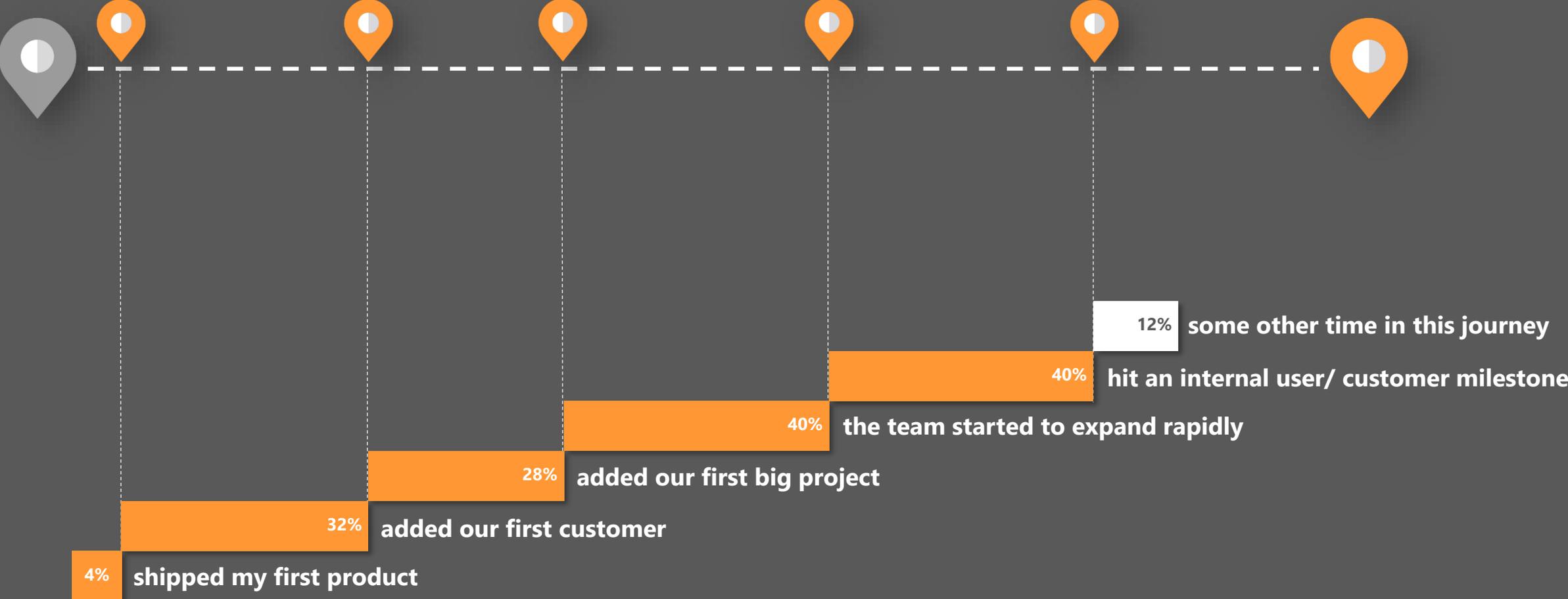
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28% of entrepreneurs said that the rapid growth phase lasted for less than 12 months.

Most entrepreneurs (64%) felt that this early growth phase could have lasted them between 18-33 months. It is clear that the rapid scaling stage is not a very long period in the business journeys of most start-ups though it helps them establish the foundation for their sustainable future.

EARLY GROWTH

# at what milestone would you say you were entering the growth phase?

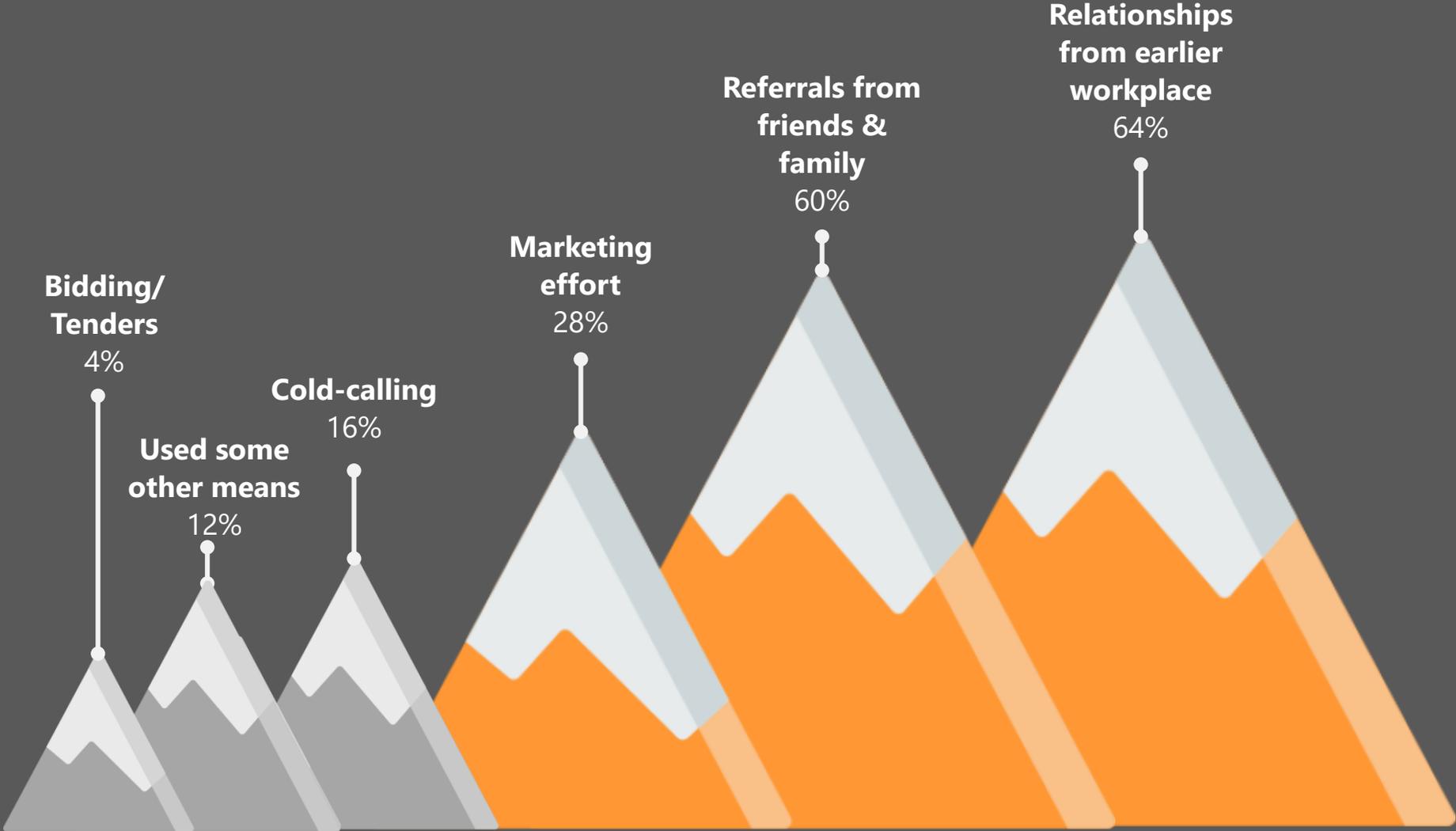


EARLY GROWTH

# how did you get your first sale?

More number of founders found their first few customers from referrals from their earlier workplace, friends & family than from all other channels combined in the early stages.

Friends & family are potent channels that commonly form the backbone for a founder, be it to get sales or get financial assistance.



# what helped you close deals in the initial stages?



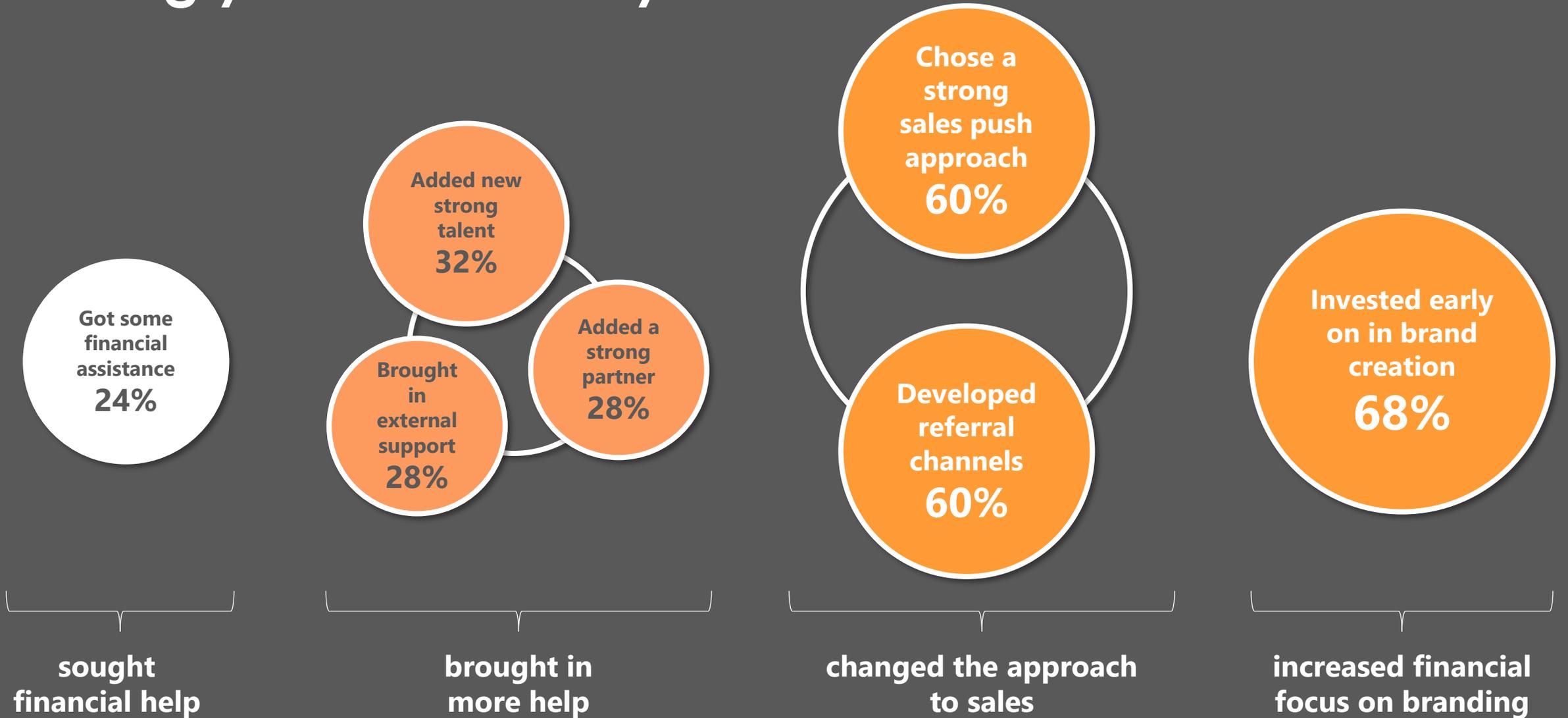
# what were your challenges in building a brand at this stage?



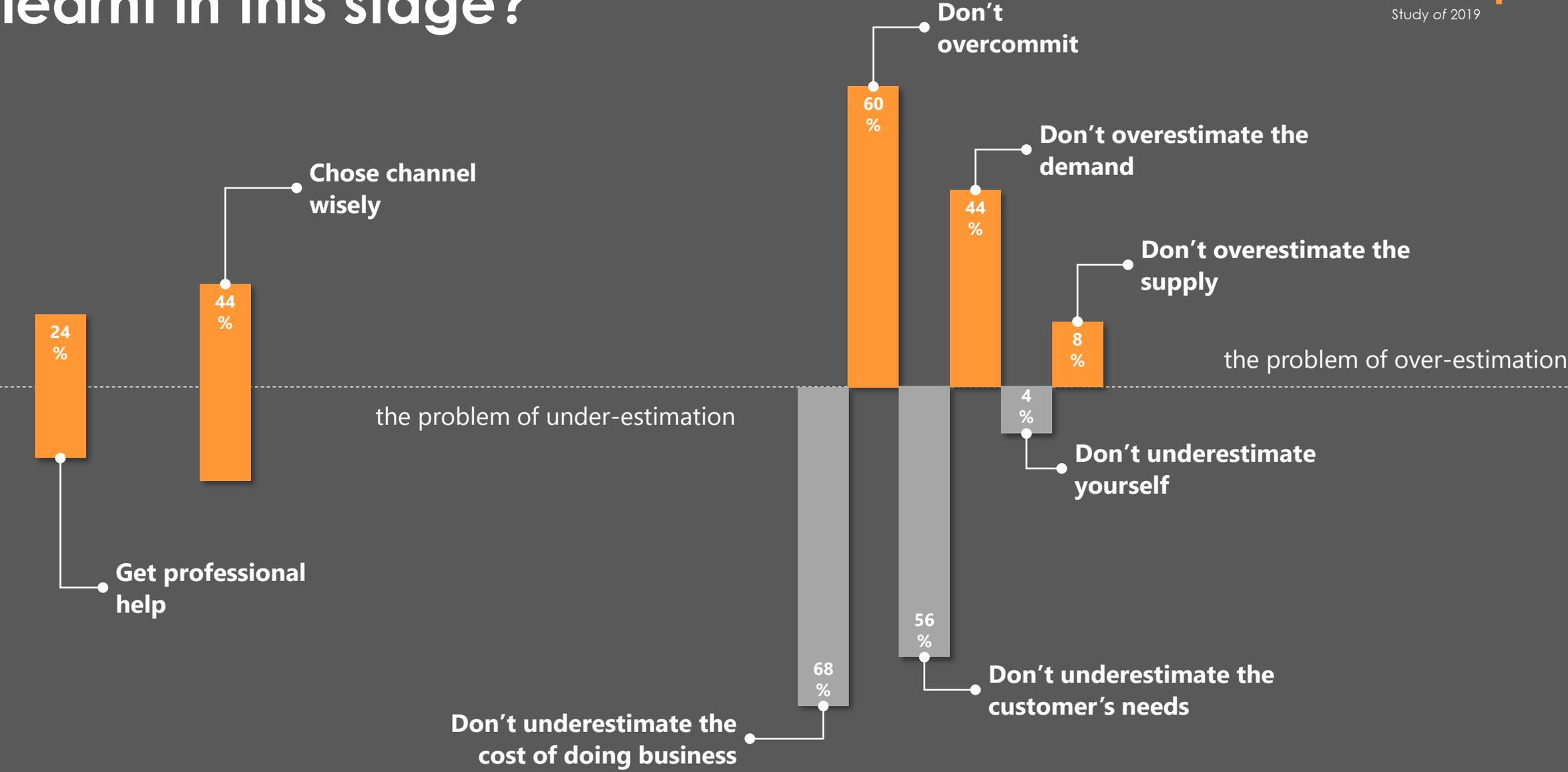
Building a brand is often an expensive affair, especially in a consumer facing business. Founders often play a continuous tough balancing act of resources initially.

Most ideas to disrupt are often less understood in the early days. Further, with limited capital, getting to right customer is often difficult.

# and how did you overcome these challenges in building your brand early on?

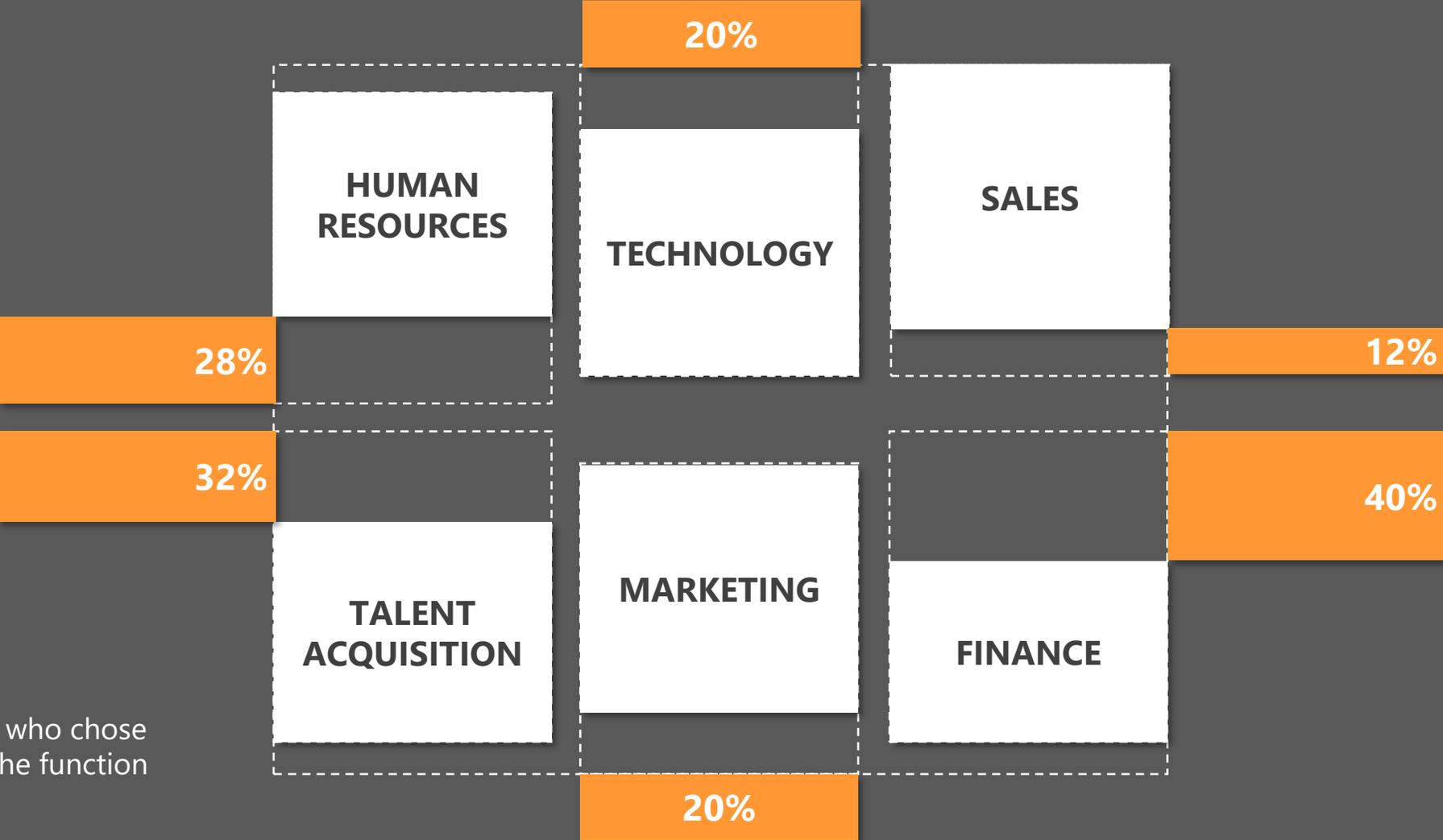


# what were the key lessons you learnt in this stage?



EARLY GROWTH

# what functions did you choose to outsource?



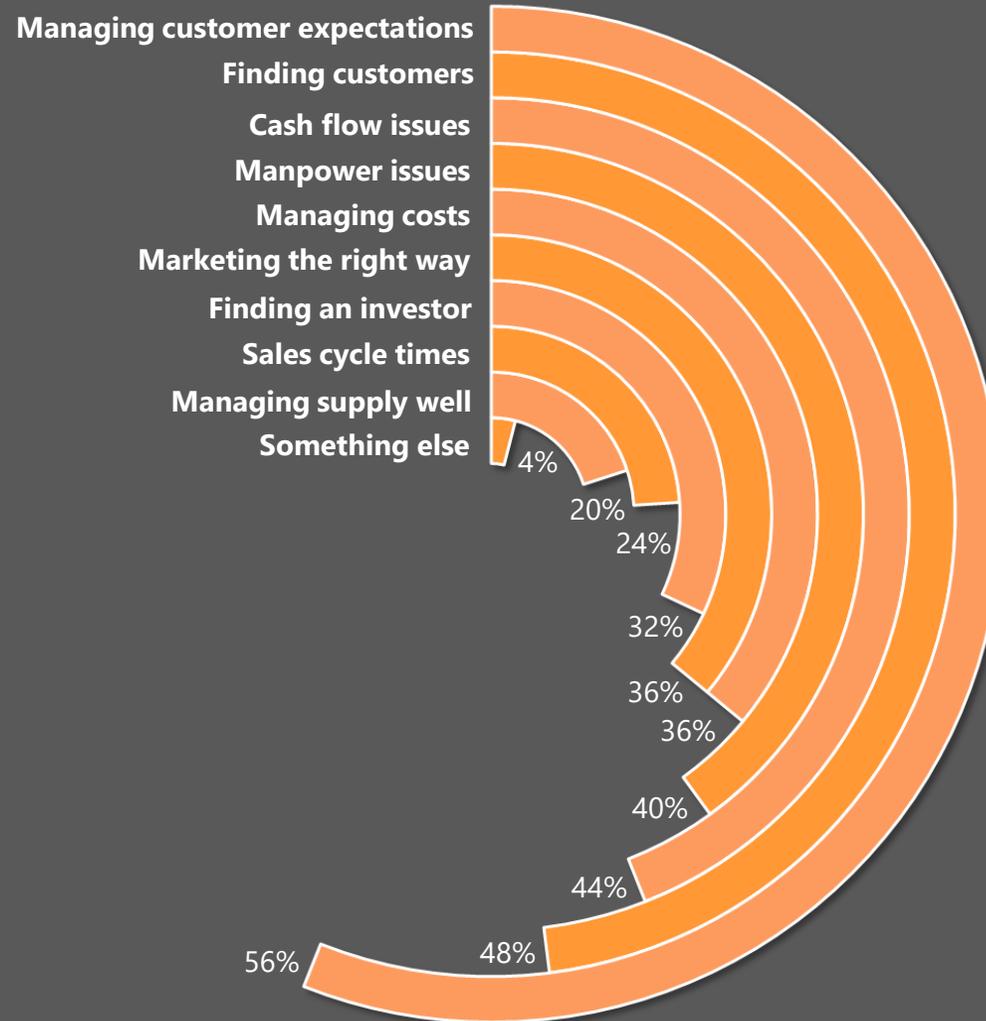
 % of founders who chose to outsource the function

# what were your key business challenges at this stage?

Managing customer expectations is one of the largest challenges that founders face early on, especially when they have limited resources at their disposal and often use pricing/ discounting to get into a customer relationship.

The second key challenge is the availability of channels to find the right customer at the affordability of a bootstrapped start-up.

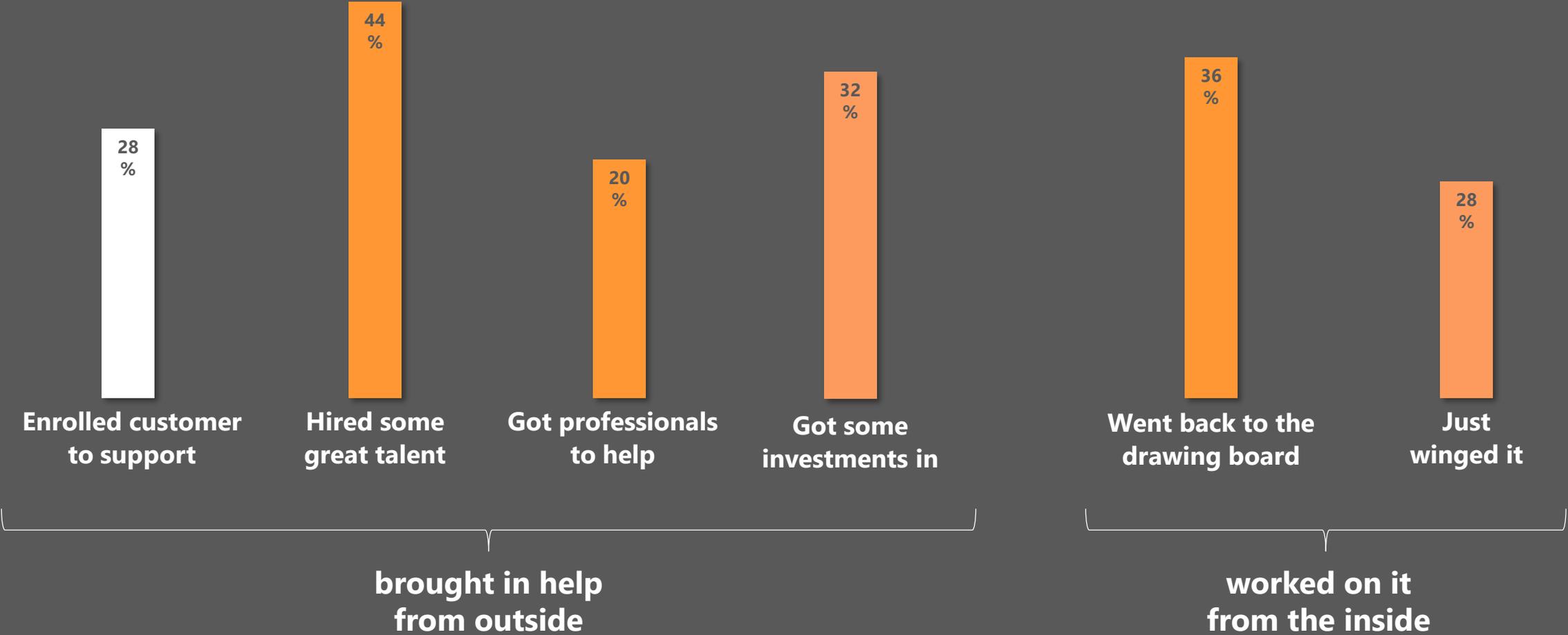
Constant balancing act on finances and their allocation add a lot of pressure on the founder/s at this stage too.



Businesses are also not able to afford the best talent early on and usually settle for affordability over top talent. Add to this, the constant feeling of flux in their minds is unavoidable as the business has its ups and downs. This causes a drain on the rationale and attrition even for the best.

Keeping costs low, especially when the order volumes are low and your suppliers are aware of your buying power further raises costs.

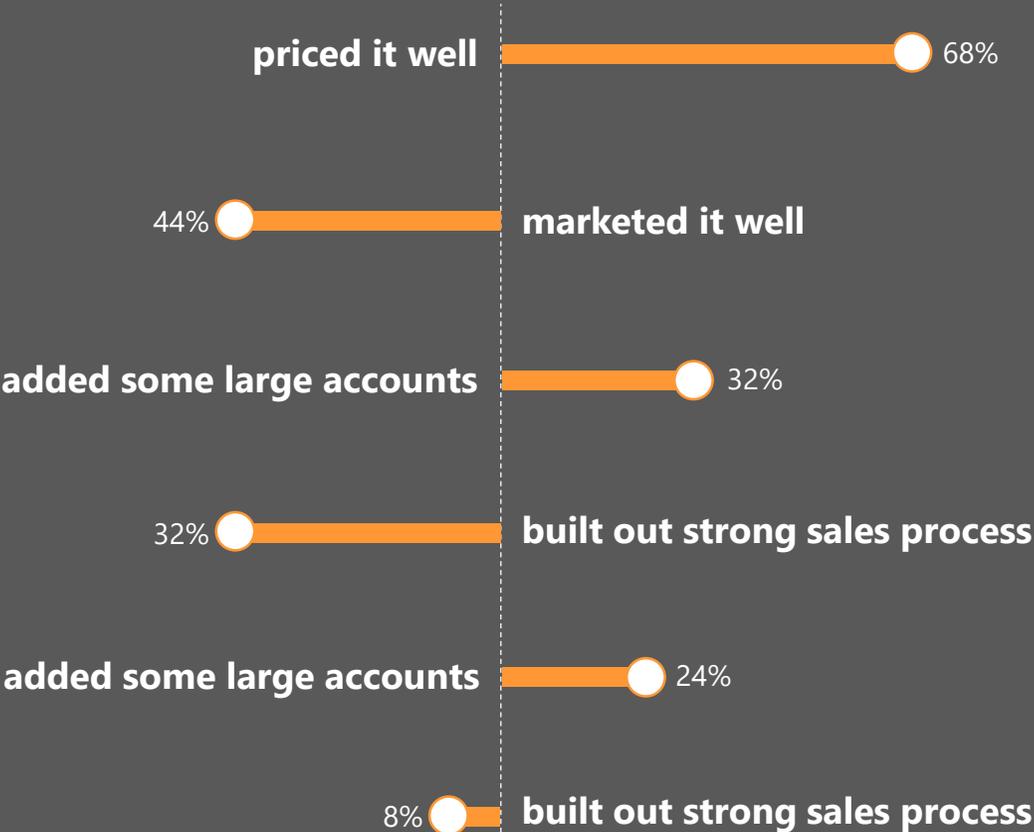
# how did you manage these challenges at this stage?



EARLY GROWTH

# what according to you were the most important things you did at this stage?

## from a Sales POV

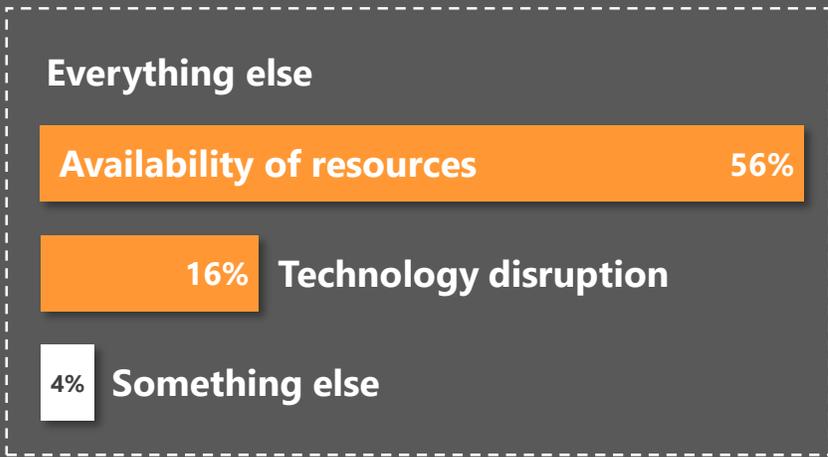


## from a Finance POV



EARLY GROWTH

# what challenges did you mostly face in implementing your plan?



A large number of businesses do not realise their true potential as they do not institute the right operating systems for their businesses. With less planning, they become more vulnerable and prone to failure.



# managing scale

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- What consumed your focus during the scaling period of the business?
- What strategic agenda did you lay out to manage this stage well?
- What hurdles did you need to surpass at this stage that helped you become a stable business?
- What did you focus on at a finance level at this stage?
- Are there some management techniques you deployed during this phase of the journey?
- How did you know you had reached a stability phase?
- How operationally involved were you during this phase?



# 3

Actively look to penetrate deeper into their markets and take their offering international.

An upheaval in talent becomes necessary as the business matures.

As they grow, great founders continue to love their customers and appreciate their needs.

Entrepreneurs when scaling, focus on their marketing while constantly developing their infrastructure while parallelly also adding new capabilities. A key challenge that most encounter is people management. They are ready to sacrifice margins for better customer satisfaction. They focus their energy on instituting strong financial controls and introducing new management techniques at an organizational level.

Great founders don't take their current state of affairs for granted. They are always looking at how they can do more.

They start to become conscious about bringing in a planned & system driven approach.



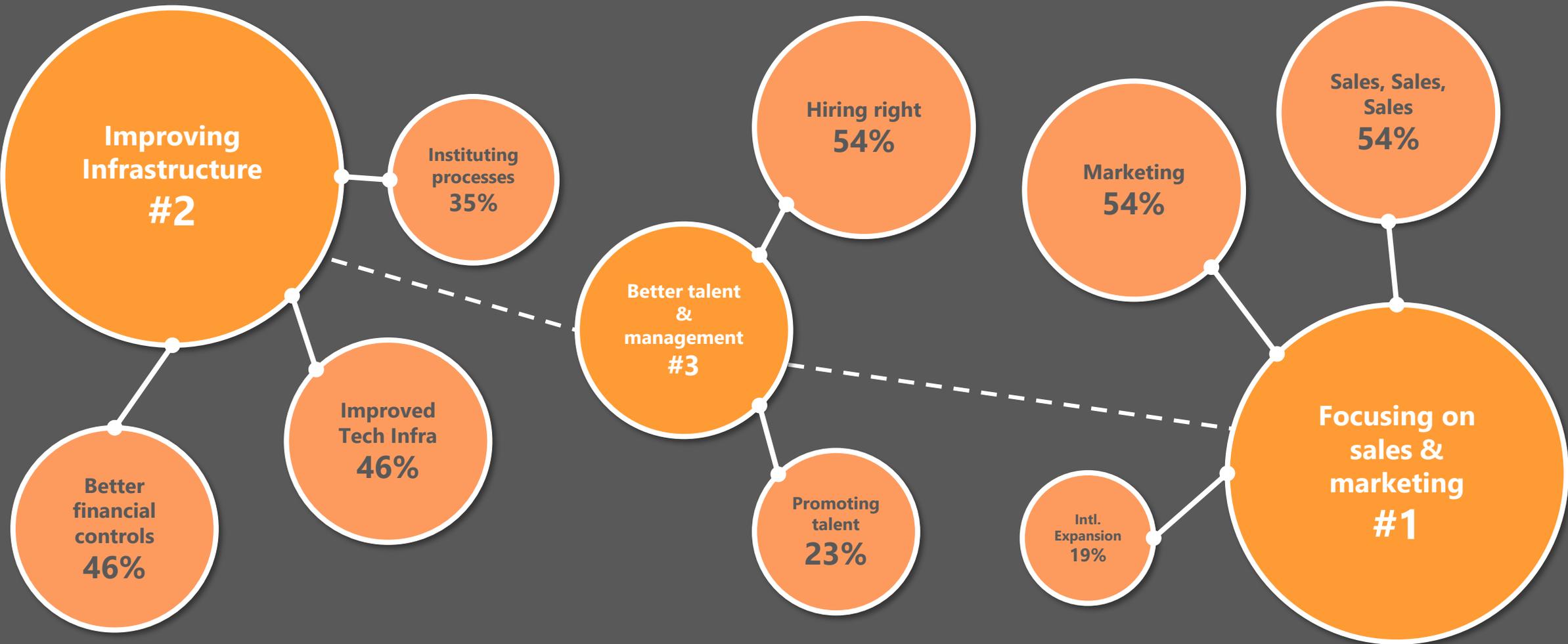
Growth is never by mere chance; it is the result of **forces working together.**

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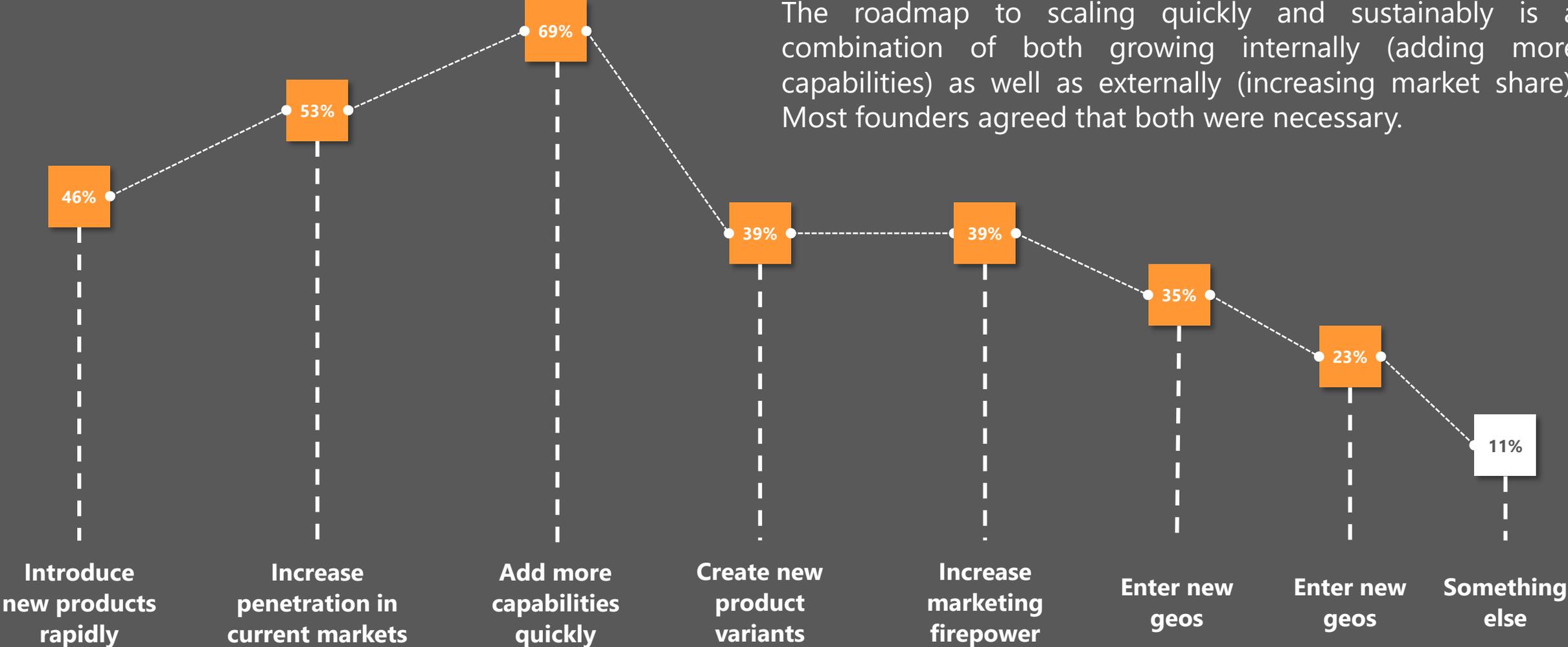
- James Cash Penney  
*Founder, JC Penney*

# what were the top few things you focused on at this stage?



# what were the top strategic agenda points for this phase?

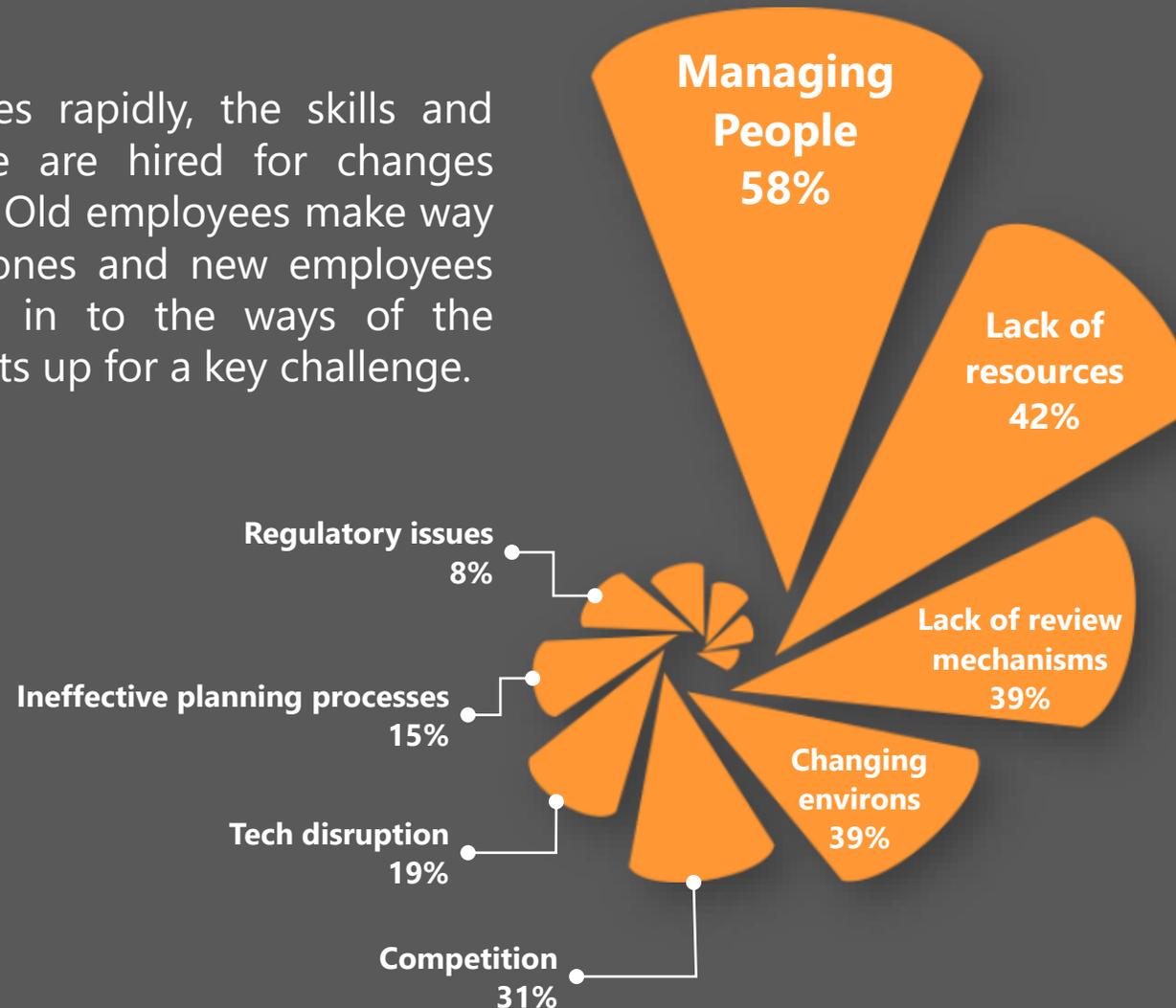
The roadmap to scaling quickly and sustainably is a combination of both growing internally (adding more capabilities) as well as externally (increasing market share). Most founders agreed that both were necessary.



MANAGING SCALE

# what were the key hurdles you overcame in this stage?

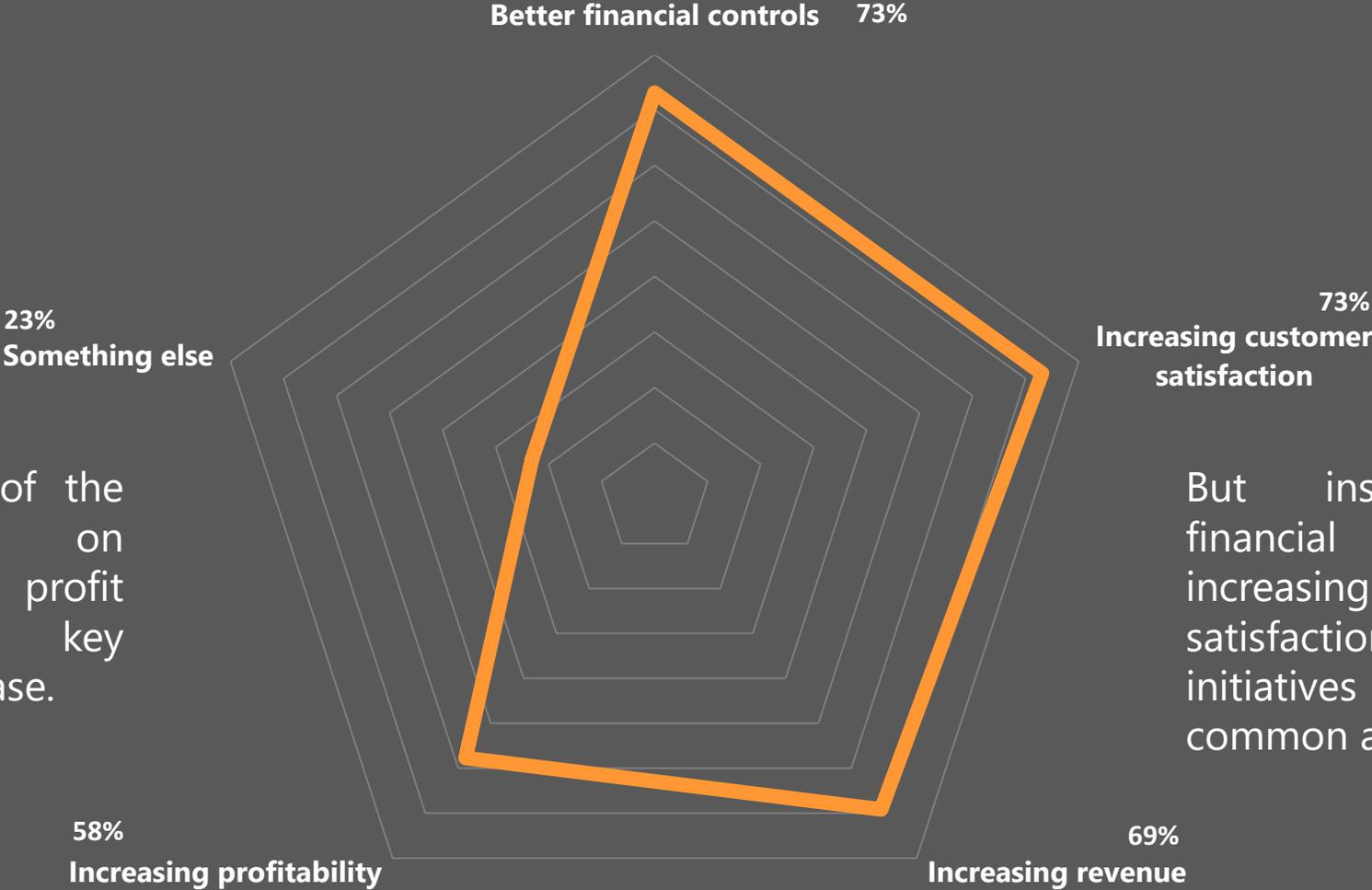
As a business scales rapidly, the skills and contribution people are hired for changes significantly as well. Old employees make way for more talented ones and new employees need to be tuned in to the ways of the company – which sets up for a key challenge.



Lack of resources when required is often a challenge that businesses face irrespective of their size. But in the rapid scale stages, this becomes more pronounced as the level of urgency is often higher.

Absence of proper management frameworks begin to cost the company more and more over a period of time as the cracks begin to show in these stages.

# what was the focus level on financial aspects during the managing growth phase?



A significant portion of the group concentrated on revenue maximization/ profit maximization as a key initiative during this phase.

But instituting better financial controls and increasing customer satisfaction was the popular initiatives they all had in common as a priority.

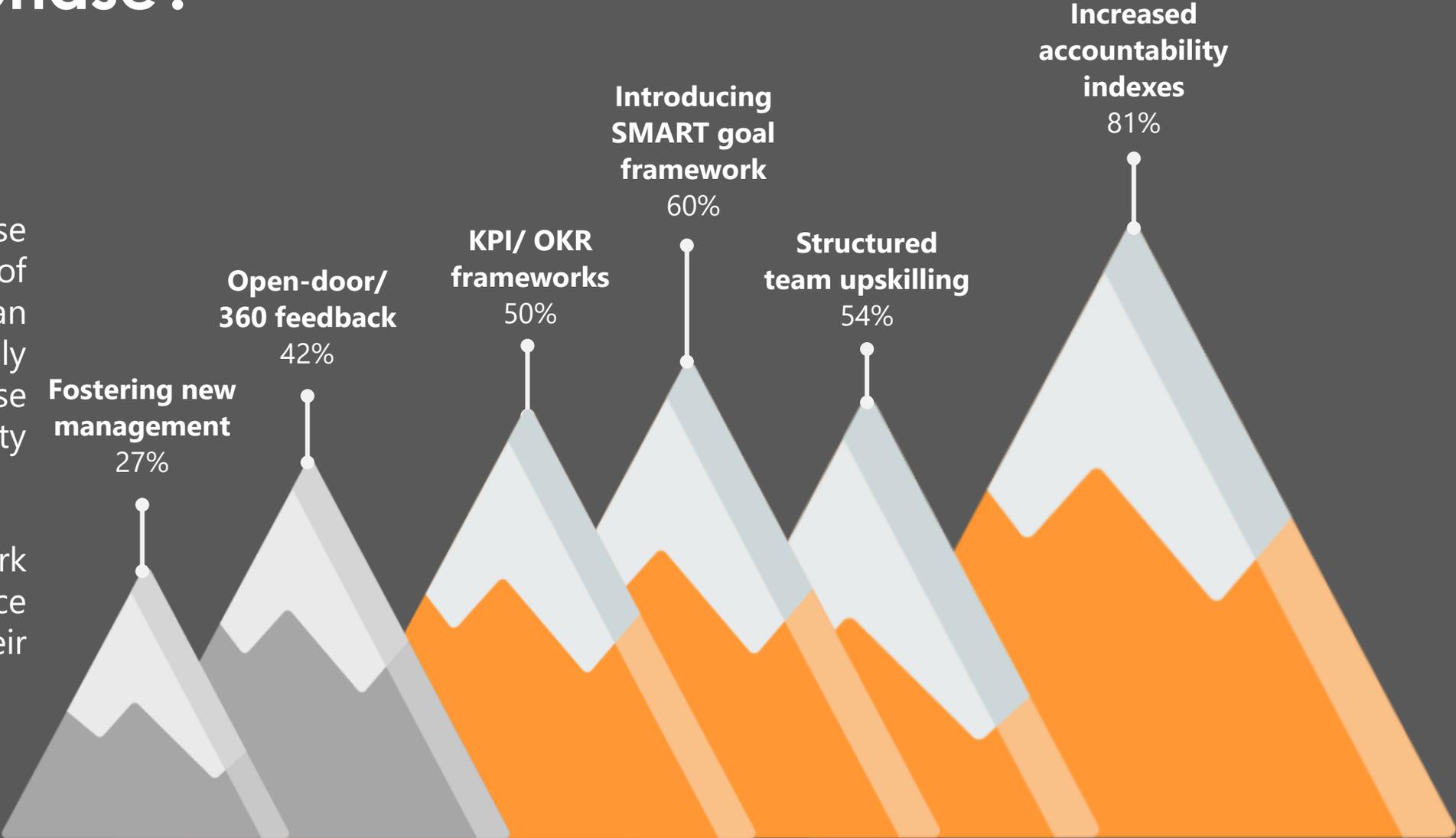
# did you employ any new management tools/ techniques during this phase?

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During the stability phase of their journey, one of the key initiatives that an entrepreneur consciously took up was to increase the overall accountability within the organization.

Introducing a framework for linked performance measurement was their second biggest focus.



# what would you say your conscious focus level was on the following functions at this stage?

## People Management on a scale of 1-10



## Marketing on a scale of 1-10



## Finance Processes on a scale of 1-10

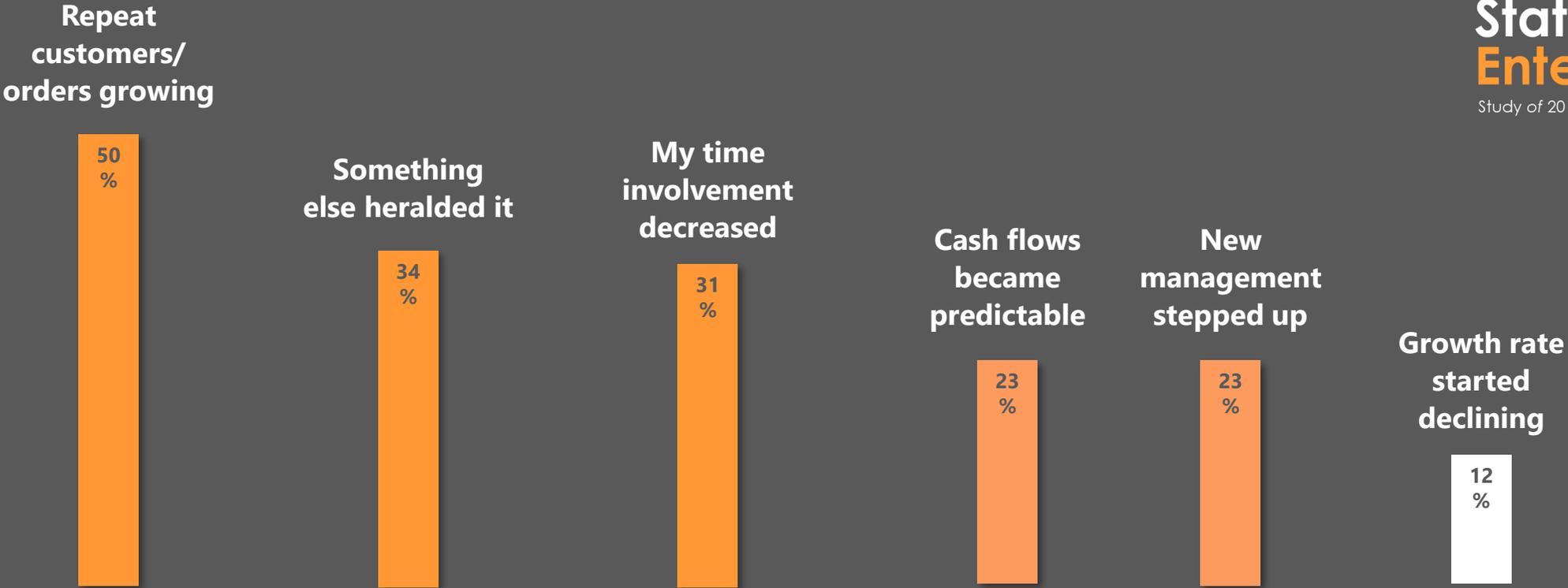


## Financial Planning on a scale of 1-10



# what signalled to you that the sustained growth stage was coming up shortly?

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The largest indicators were the number of orders or business transacted from repeat customers. Over 50% chose this an indicator that they had reached a stability phase. Personally, the reduction of their requirement on day-to-day operations was also a factor for 31% of them that they had/ were about to reach a stable phase of their journey.

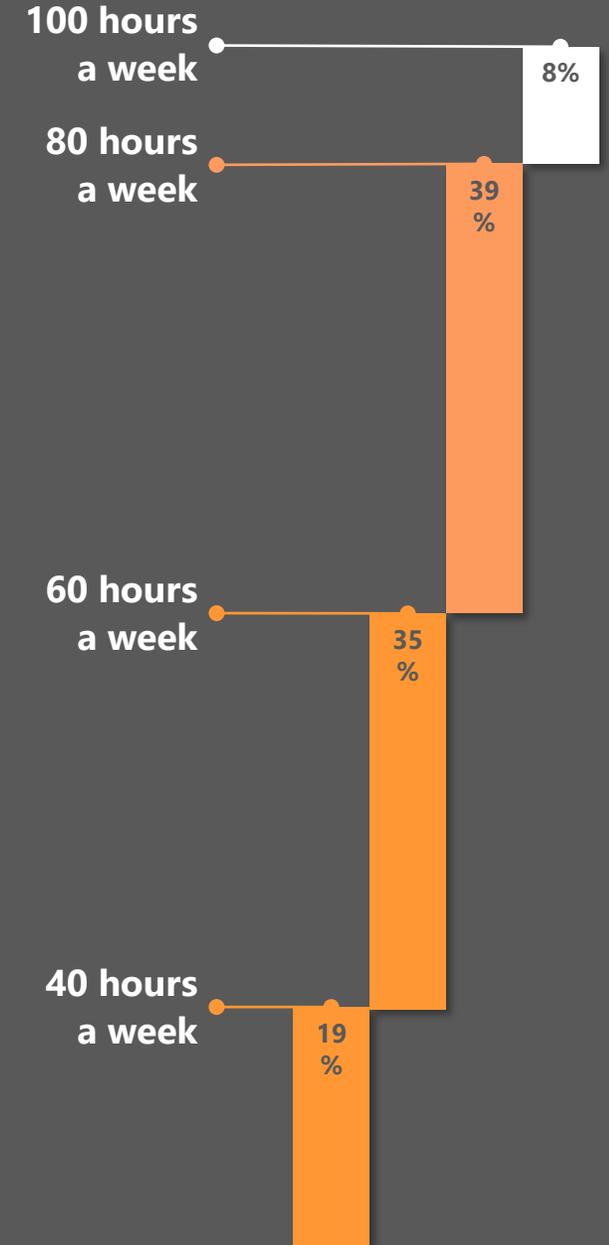
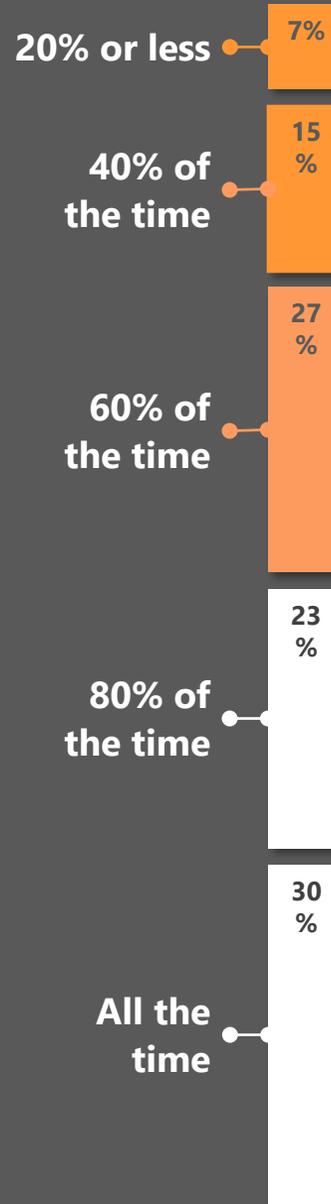
# how operationally involved were you at this phase?

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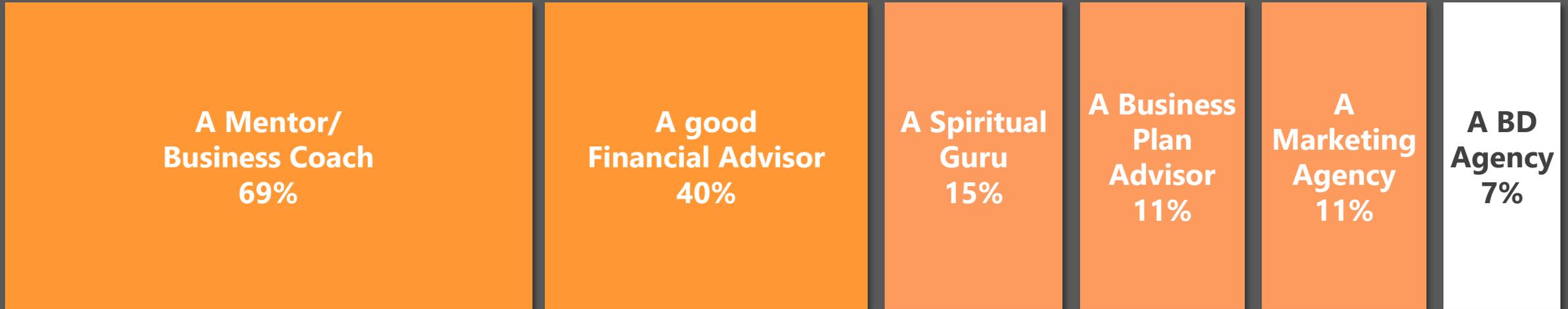
Successful entrepreneurs begin to reduce the amount of time they spend on operations as the company begins to grow. 70% were spending 80% of their time or less on operations. 22% had brought their time on operations to less than 40% of their work-day.

The length of an average work-week was less than 60 hours a week or less, which is very different from stories we are brought to hear of entrepreneurs who work 100 hour work weeks (true for less than 8% of the total group).



# did you get some external help during this phase?

A lot of successful founders mentioned the impact of a mentor or business coach on their businesses. Surprisingly, during this phase, one of the first outsiders they chose to bring on board was them. Often founders feel that they may have figured it all out, but over 2/3<sup>rd</sup> of the most successful ones had the guidance of mentor and 1/3<sup>rd</sup> had the guidance of a good financial advisor who they brought on board during the scaling up period.



Surprisingly, about 1 in 6 founders found a spiritual guru for themselves during this phase. Equally surprisingly, 1 in 10 got a business plan advisor at this phase, especially when the business was taking off. It shows the mentality of a successful founder to be one of constant learner and indicates a personality trait of openness and faith.



# sustaining growth

- What did you focus on during this phase of the journey?
- How did you deal with competition and entry of new market participants?
- What measures did you take to continue increasing business value during this phase?
- Did you seriously consider M&A opportunities & how did you go about it?
- Did you consider bringing on external financial expertise during this phase?

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4



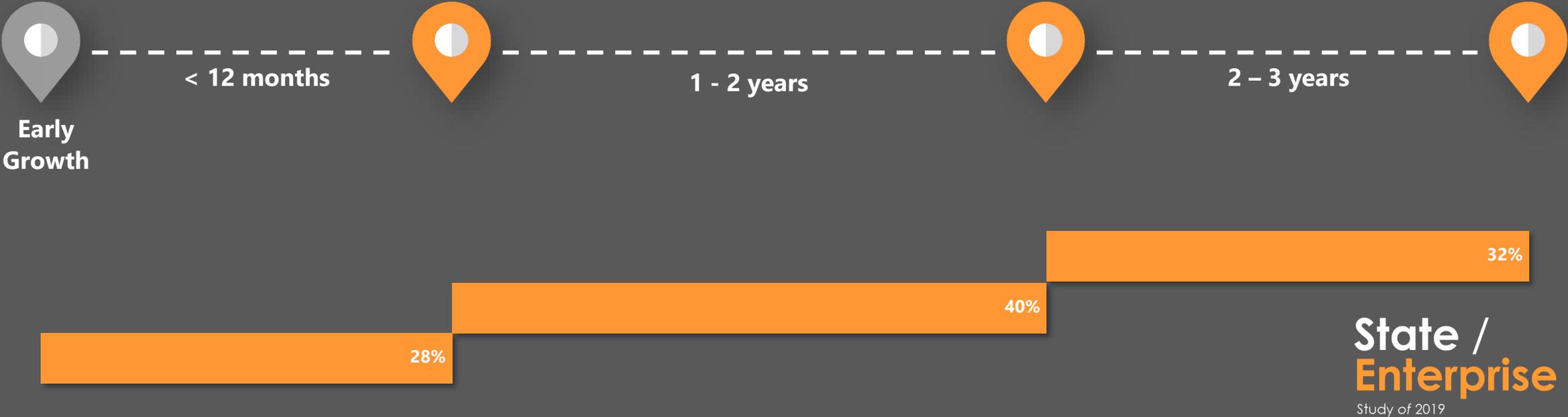
The best use of life is to  
spend it for something that  
**outlasts you.**

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- William James  
*widely regarded as the Father of American psychology*

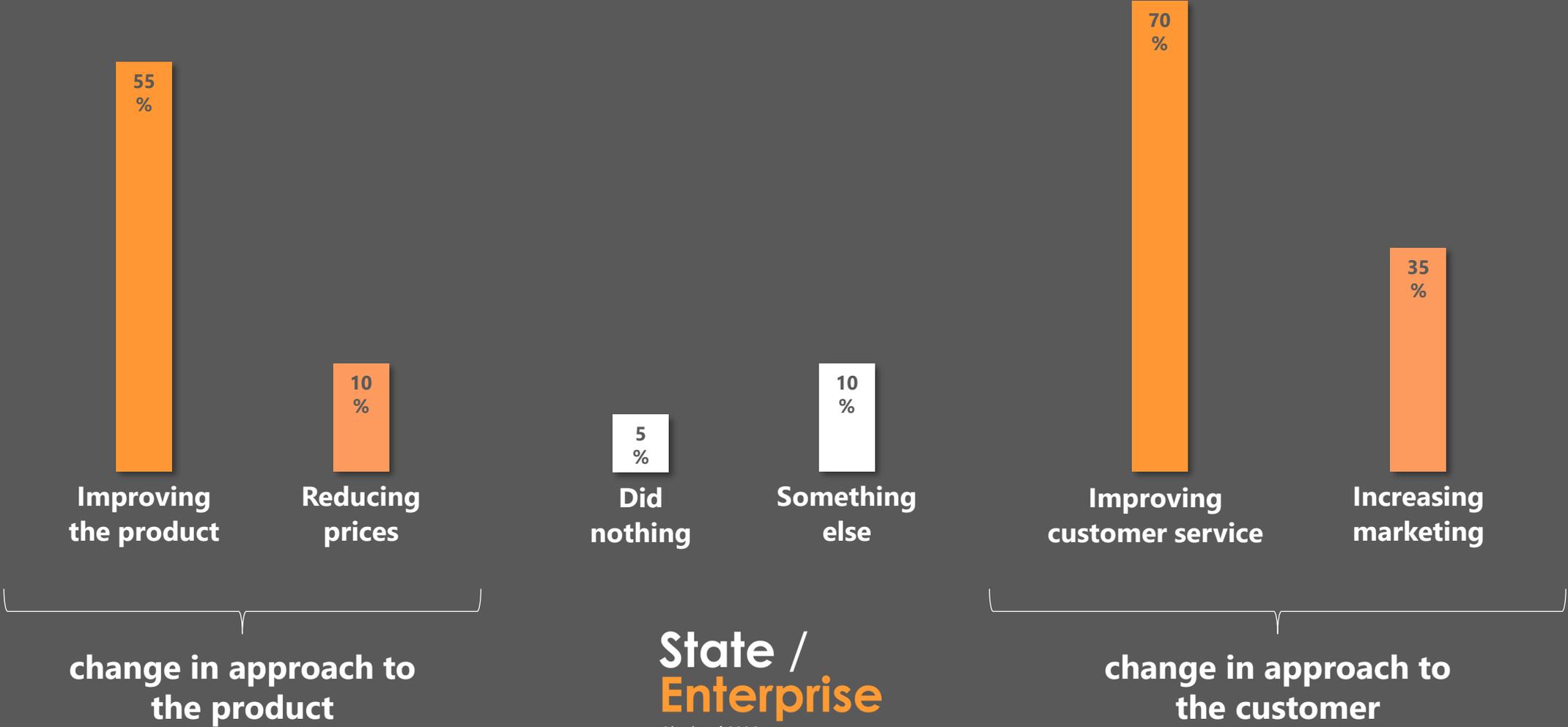
# how long did you take to get from the managed scale stage to the sustained growth stage?



28% of entrepreneurs said that the rapid growth phase lasted for less than 12 months.

Most entrepreneurs (64%) felt that this early growth phase could have lasted them between 18-33 months. It is clear that the rapid scaling stage is not a very long period in the business journeys of most start-ups though it helps them establish the foundation for their sustainable future.

# how did you deal with new entrants and growing competition in a stabilizing growth phase?

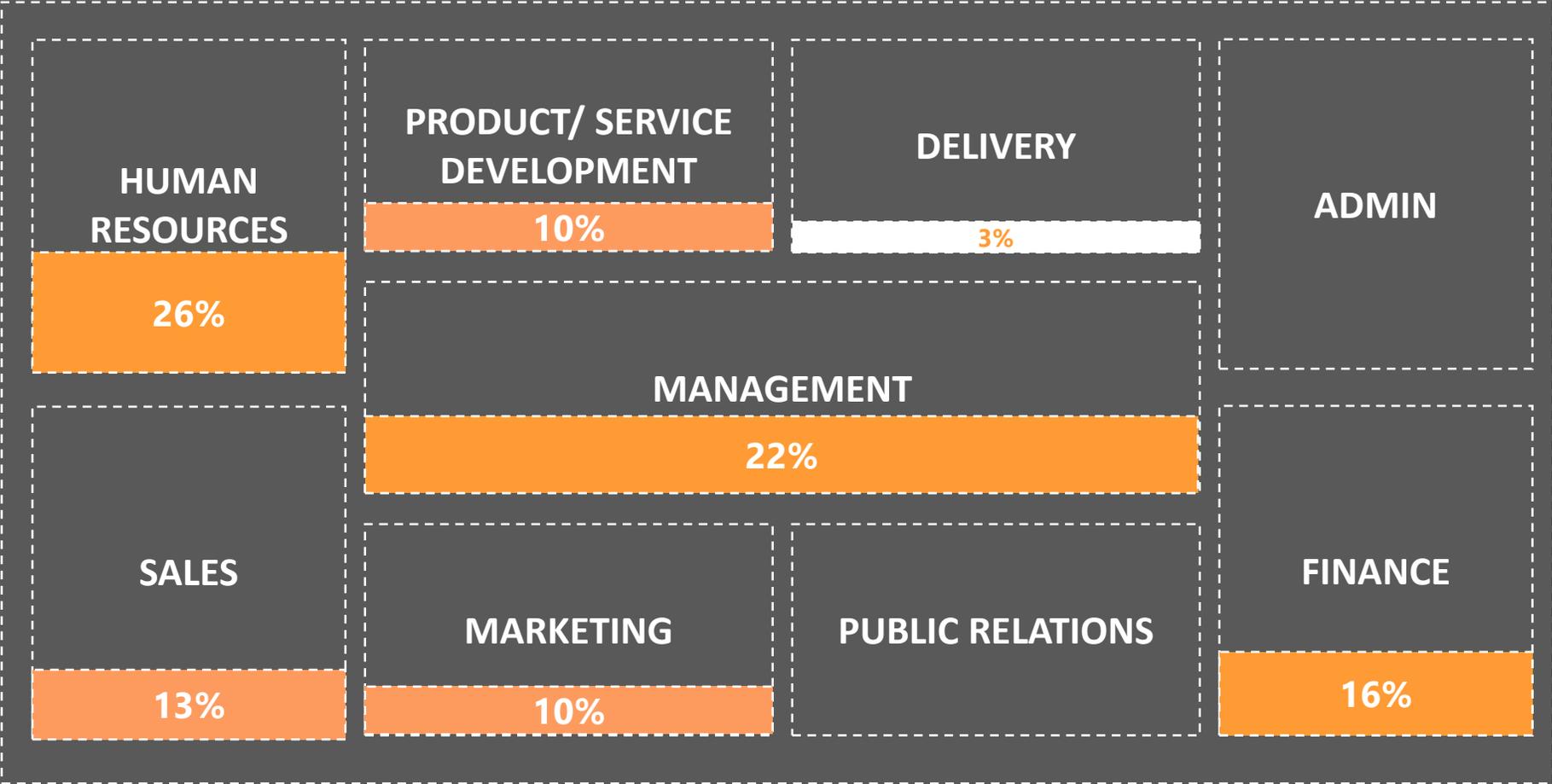


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SUSTAINING GROWTH

# what one single function did you focus on during the sustaining growth phase internally?

Human resources, the management team and finance function were the most focused divisions of the company during the growth maintenance phase. Successful entrepreneurs often choose to maintain an efficient steady ship as they reach a certain size and stability.



# what measures did you take to increase your business value in the sustaining growth phase?

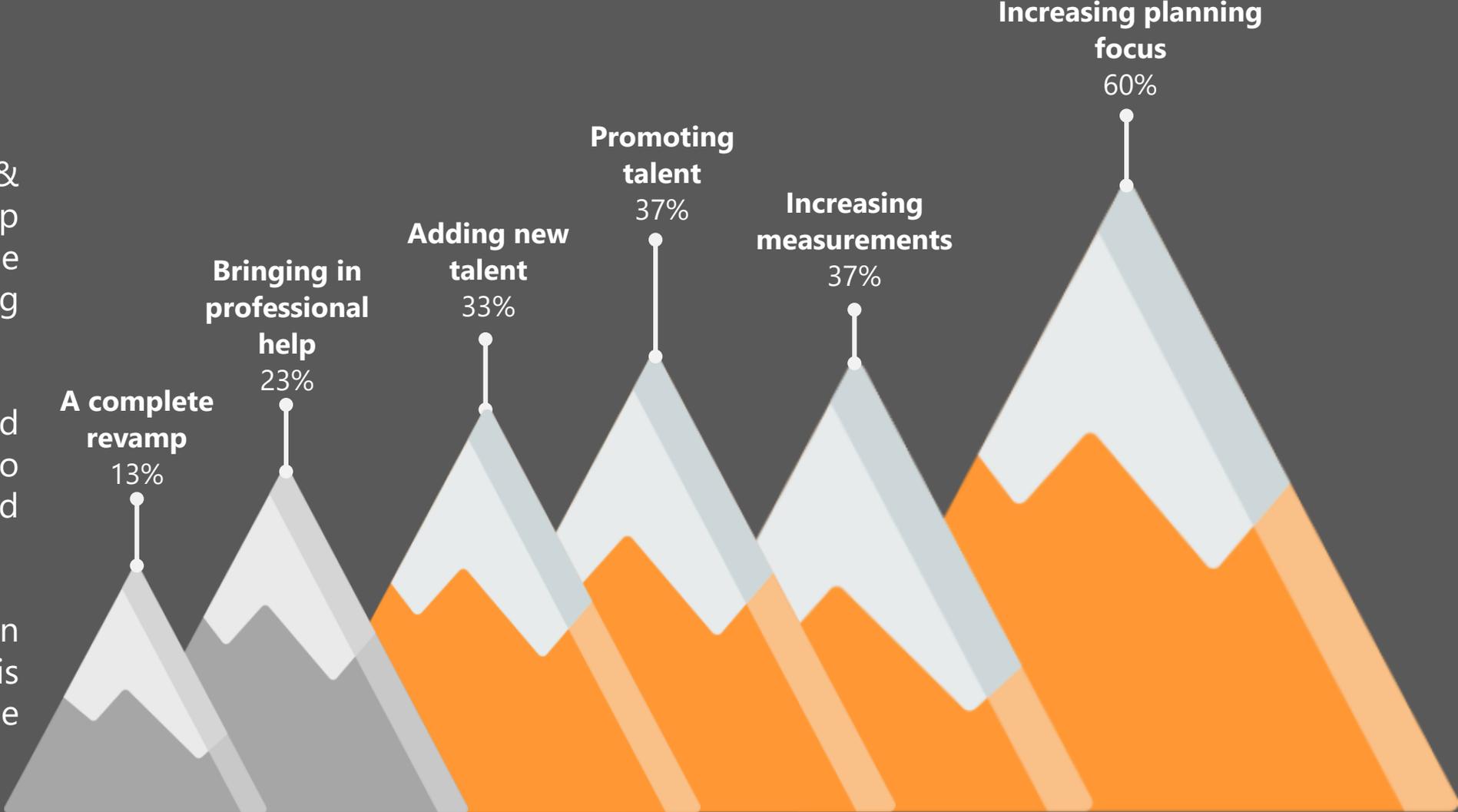
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Focus on planning & measurement takes up the majority of the time spent on initiatives during the stability phases.

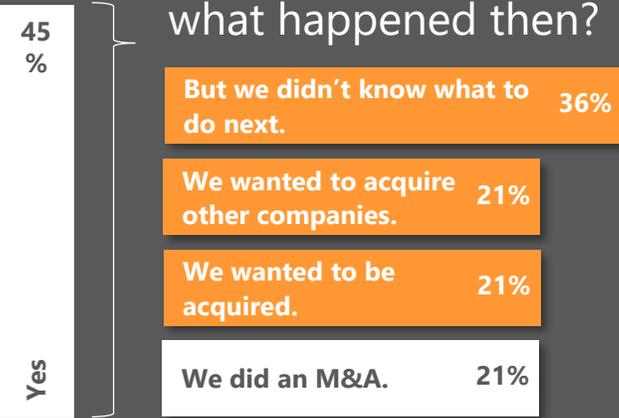
Talent management and allowing new talent to crop up was the second priority item.

23% chose to bring in professional help at this stage to help manage things better.

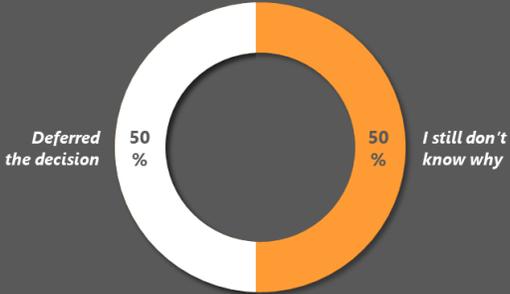


SUSTAINING GROWTH

# did you seriously consider an M&A during this phase?



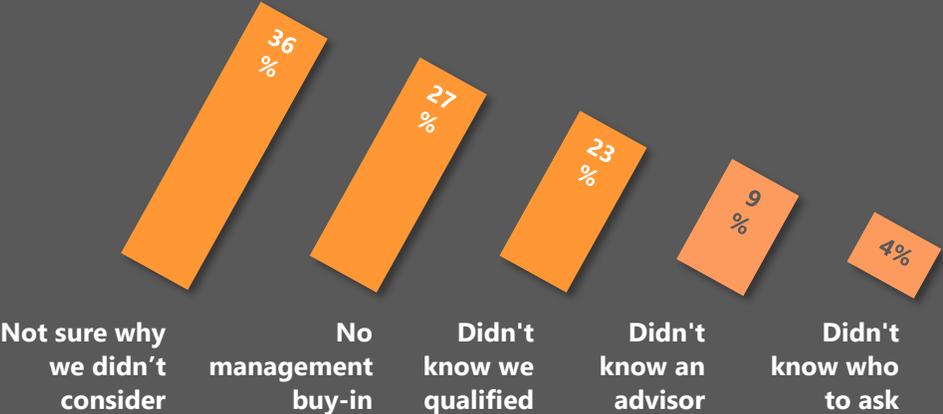
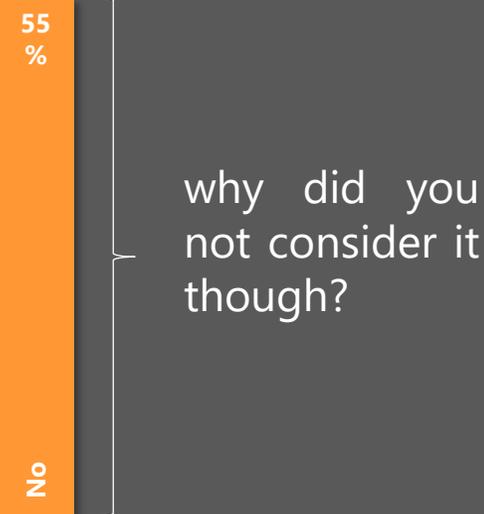
why did you not proceed?



how did that happen?

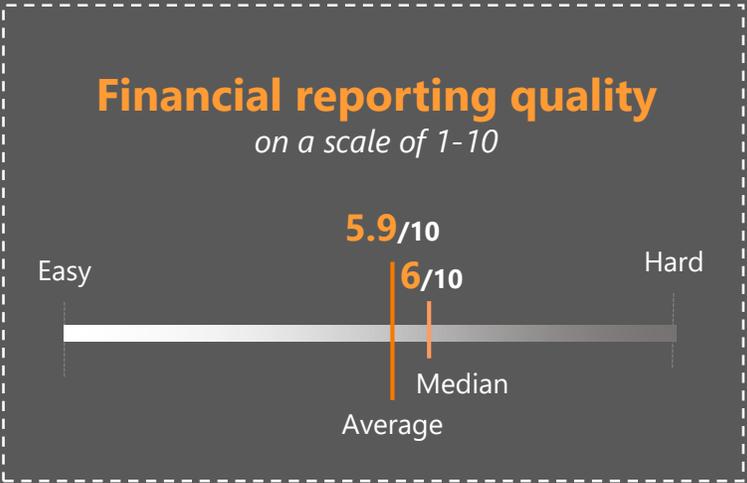
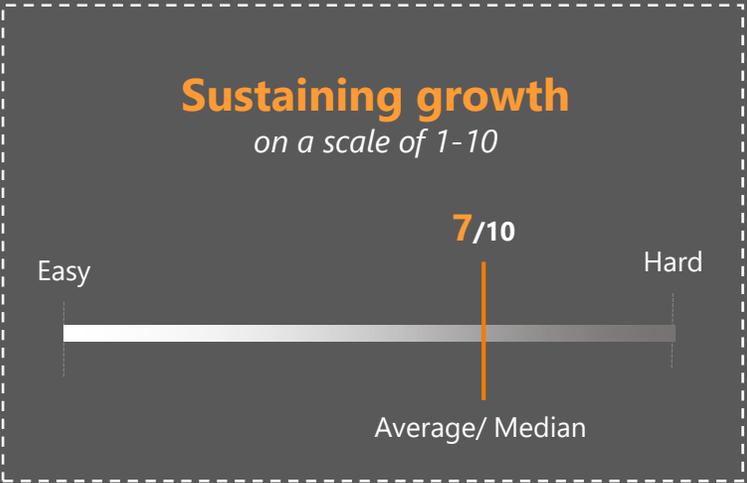
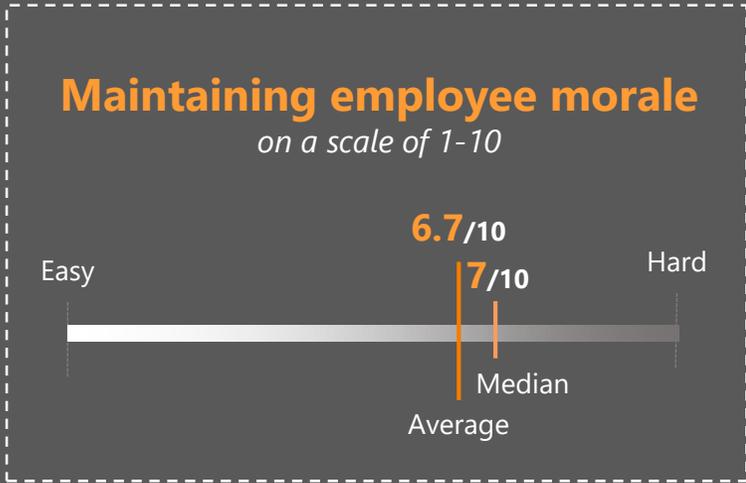
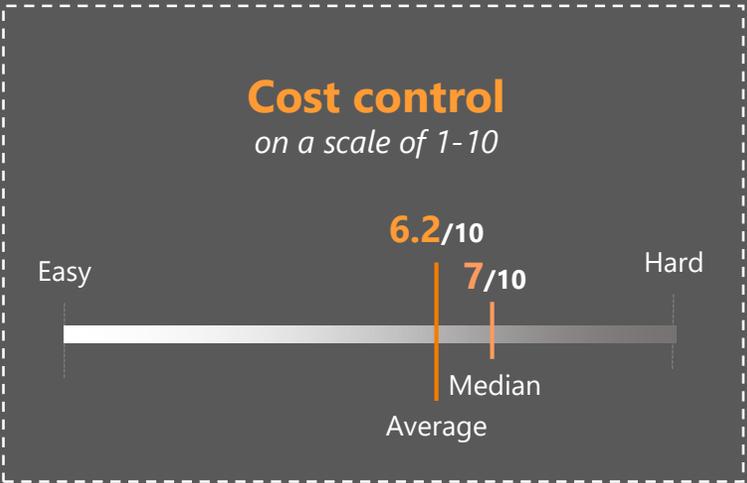
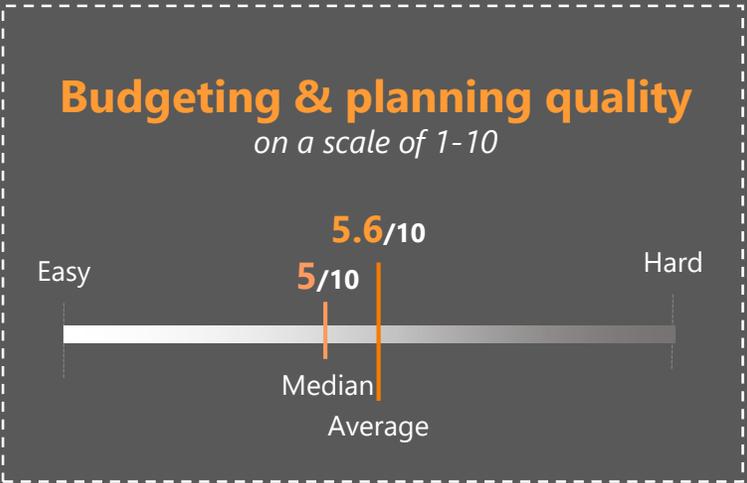
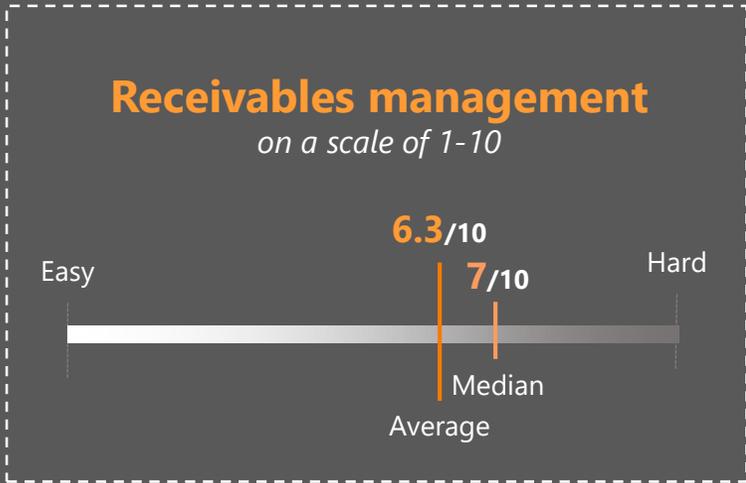


While a lot of entrepreneurs at this stage did consider M&A as a viable option, there exists a large gap in knowing what to do next which could have led to the deferral of the decision itself – till it becomes a lower priority.



On the other hand, a large majority did not consider M&A itself. When read with above graph, the knowledge problem affected nearly 45% of the entrepreneurs. Management buy-in affected less than 15% of the group.

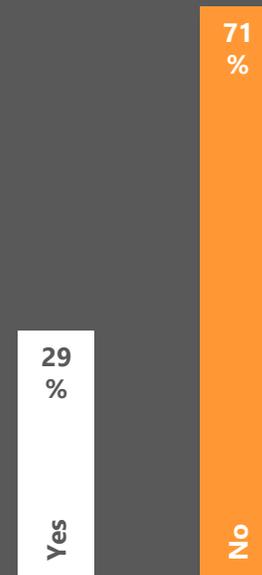
# how big of a problem were the following during this phase of your journey?



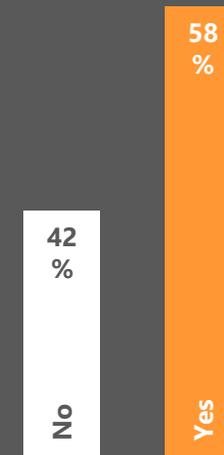
# what would you say the traits of an exceptional financial advisor are?



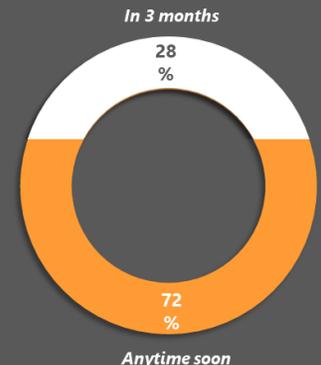
did you work with a financial consulting advisory?



would you be open to considering one?

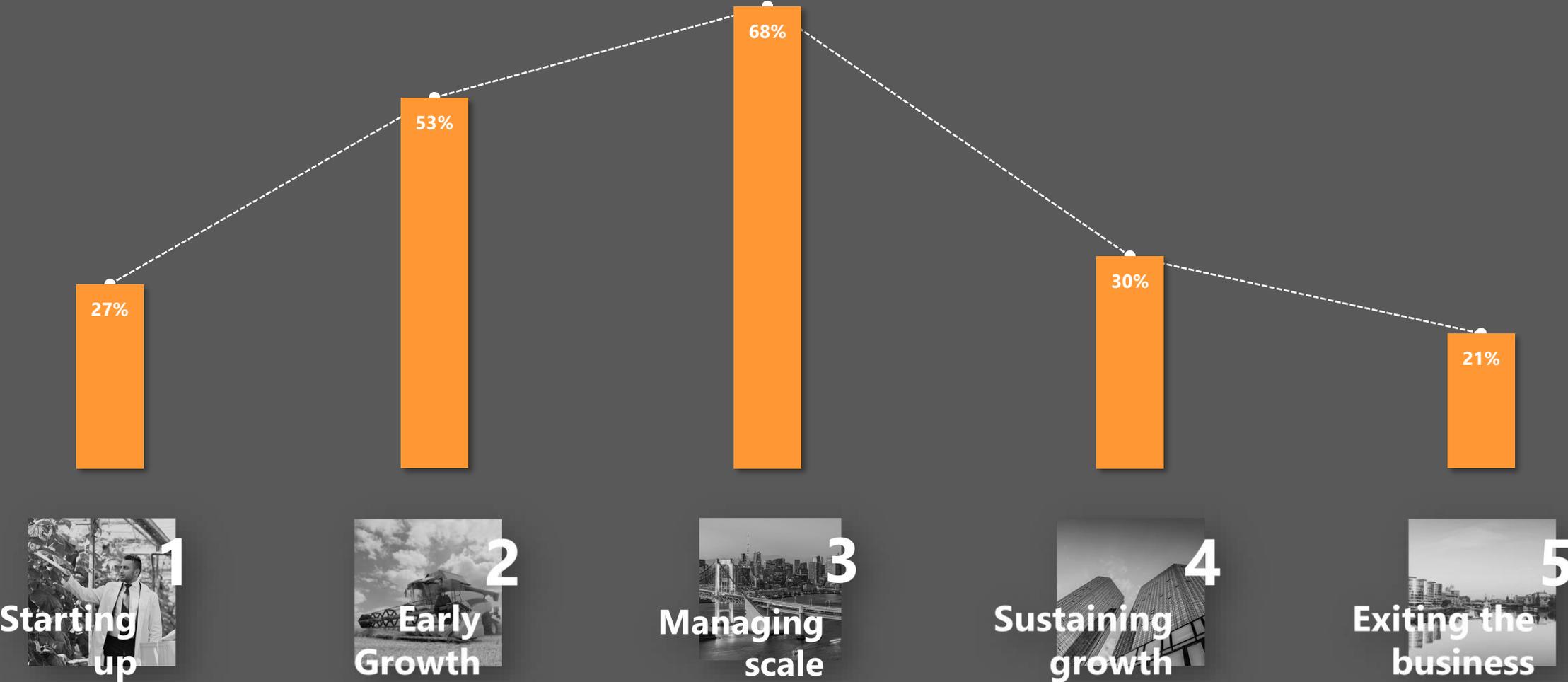


when?



A good financial advisor is one who understands your business in a very deep way. A lot of founders who built large established businesses felt that understanding of business, proactive approach to finance & technical expertise were the most important traits they expected followed by creative thinking.

# at what stage do you feel founders should seek external professional help?



# the how

Over the months of April & May 2019, Prequate's team conducted interviews and surveys with interviewees, who are CEOs/ Founders/ Co-founders/ Managing Directors of businesses that are indicative of a successful business in commercial terms. Interviews covered more than 35 entrepreneurs from across the world and 10% of interviews were conducted by face-to-face, 15% by telephone and 75% were online forms that were circulated. All interviews were conducted on a confidential basis and only the internal teams of Prequate, their interns & their extended staff had access to this data.

Some interviews/ surveys conducted & their results may have been excluded for the following reasons - incompleteness, profile of the interviewee not matching target group, inability to verify the profile, responses that were not conclusive or forming less than 5% of the total responses.

Further, none of the results are meant to be conclusive or precise or predictive. Discretion is requested. Please see [how to use](#) later herein.

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Setup in 2010, **Prequate** is a management ^ strategic finance advisory. **Prequate** acts and manages as a Management Assist group / CXO bridge on matters ranging from business strategy to planning and execution.

Over the last 8 years, we has worked with 350+ businesses (ranging from Fortune 500 companies to award-winning start-ups) across 20+ countries in capacities ranging from crafting their international expansion strategy to managing investor relations. During this time, **Prequate** has been featured on various publications for their breakthrough approach to advisory.

**Prequate**'s DNA is made of a team with experiences spanning international business management, business consulting, risk advisory, assurance, corporate finance, investment banking and entrepreneurship and work as **partners for growth** to SMBs across the world.



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**REQUEST A CALL BACK**

*I know of something that I need help on.*

or

**KNOW US A LITTLE BETTER**

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# who is

State/ Enterprise, read as 'State of Enterprise' is an initiative of Prequate to make available this research to the young entrepreneurs and established businesses alike. This annual report has been completely funded & sponsored by Prequate and is the effort of over 1,000 hours of research, speaking with founders, interviews and hundreds of coffees over April & May 2019. The first of it's kind, these few Mb of data are with the dream of bringing together perspectives of entrepreneurs, their journeys, the opportunities they saw, the challenges they overcame and the lessons they learn as they went on to build their enterprises.

Hope you loved it as much as we loved making it.

STATE/ ENTERPRISE



management ^ finance

At Prequate, our purpose is to partner with businesses and achieve their true potential, wherever they may be. We are committed to providing the highest quality of information, analysis and more importantly interpretation of the numbers that define their world.

This study & the report ensuing has been prepared for the general guidance on matters of interest only, and does not constitute professional advice from Prequate or any of its affiliate organizations. As a reader of this content, you should exercise due caution while employing or deploying analysis and results from this publication. You should refrain from acting solely upon the information contained herein without obtaining specific professional advice on any matter whatsoever. There is a specific reason that consultants & practitioners have existed, are existing and will continue to exist. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, Prequate does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

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# A big thanks

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This world is a better place thanks to people who are ready to commit to missions far beyond themselves – especially giving a part of their lives by spending time on a mission to positively influence the leaders of tomorrow.

These may be a few Mb of data, but it has taken thousands of hours to host and compile. Every question was sieved through with a fine comb to ensure that every answer can help another entrepreneur. A team of dedicated, gifted individuals contributed to it with their time, reputations & hearts to make this document – Aarzo Saiyyad, Amogh Giridhar, Karan Kumar G, Nidhi Nair, Pradyumna Nag, Priyanka Saraf, Protick Kar Purkayastha, Rakesh Bordia & Sandeep Kannan - to them, a heartfelt thank you.

All our efforts would be impossible without the participation of the entrepreneurs. They gave us hours of their valuable time, simply because we asked them and they identified with the vision of this exercise. You know who you are – a BIG THANK YOU.

A special thanks to Srinivasan Vittobi (who was the first person we mentioned this initiative to last year & is also an interviewee in the Study of 2019).

For all the aspiring entrepreneurs:

“Don't worry about failure; **you only have to be right once.**”

Drew Houston, co-founder & CEO, Dropbox

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