Chapter Five

Business Development:
The Role of Social Capital

Based on the understanding about entrepreneurs and their enterprises in the last two chapters, the present chapter would look into various aspects of business development like identification of business opportunity, exploration of prospective customers, getting customers, retention of existing customers and managing crisis. It was found that interpersonal relationships of various types played an important role in influencing an entrepreneur’s success in all these aspects. Therefore, discussion in this chapter would offer a special insight into the role of interpersonal relationships in business development. Considering the resource value of interpersonal relationships it appears that they may be considered as social capital in this context. However, business development also concerns spheres where interpersonal relationships play little or no role. Those spheres would also be considered in this chapter in order to secure a comprehensive understanding of the process of business development.

5.1 Identification of Business Opportunity

Success of any initiative depends on the strength of the guiding idea. One important component of that idea revolves around identification of a right opportunity to take initiative. This is particularly relevant in business enterprises, where it is also referred as ‘market opportunity’ (Soh, 2003; Ramachandran and Ray, 2006). Therefore, identification of a business opportunity is often considered by many entrepreneurs as the most significant challenge in business. Mangalam Srinivas, founder of Global Technologies Pvt. Ltd., a software product company, mentioned that the most important challenge in his business is to create a product roadmap. He said, “Our product roadmaps are fairly well established today…. But identifying every one to two years the next major break point to roadmap becomes our challenge today. You can say we have track record. But identifying the future milestones on that is a challenge.” K. Padmakumar, founder of Frontech Ltd., expressed a similar kind of
opinion. He said, “I think, the biggest challenge we all have is where will the world lead to and what will they [clients] demand of us.” In identification of such ‘market opportunity’, entrepreneurs’ educational and/or professional background and their interpersonal relationship with professional colleagues, friends, and family members play an important role. However, interpersonal relationship with family members is useful in business, primarily for entrepreneurs with business family background.

5.1.1 Importance of Educational Qualification and Professional Background

Given the requirement for technical knowledge, educational background of an entrepreneur often played an important role in identifying business opportunity in a technology-based industry like ICT. Rajat Apte, founder of Magnatech Inc., said,

… when I started that [time] I was three years out of college meaning I had done my Masters in the US. I had taken up a job for three years and then I decided that I want to go on my own. During that time, technology consulting was a demanding field. Having a technology background that’s what I wanted to focus on.

This was true for Anil Despande, founder of Tech Writers Inc., as well. He said, “When I started offering this [technical writing] service, I basically started with electronic product manufacturers, because I was an electronics engineer”. Same was valid for Pankaj Sen, founder of Advanced Software Systems Pvt. Ltd. He said, “I started business in IT because I know only IT. I don’t know anything else”.

Even though technical knowledge is significant for an individual to function successfully as an entrepreneur in the ICT industry, not every individual acquired such knowledge through education. This was true for entrepreneurs who did not have any degree related to ICT, for example, Ajay Aggarwal, founder of Netware Pvt. Ltd., Raj Modi, founder of Softech and Raj Software and Communications, Hitesh Patel, founder of Knowledge Software Pvt. Ltd., and Naresh Ponnaiah, founder of Sunshine Technologies Ltd. Each of them had a background in commerce. Thus, educational qualification did not play any significant role in their identification of business opportunity. Furthermore, apparently suitable educational qualification may at times obstruct an entrepreneur’s ability to identify the best business opportunity by giving rise to an unfavourable mindset. This was the opinion of S. Sivakumar, founder of Datainformatics Pvt. Ltd. Speaking about himself, he said,

… being an engineer is always a disadvantage … I have also realized that thinking that one is an engineer it’s a liability… I was always more interested in doing something technical, not at all interested in doing the standard trading … I know that trading only is going to give big
money…. [However,] I didn’t have that attitude, because I was thinking more that I am an engineer. Engineer doing trading is something.

Professional background of an entrepreneur may also play an important role in identifying appropriate business opportunity. Arjun Desai, founder of Win Infotech Ltd., got his idea of starting a business venture in the area of ICT training while being on his last job as a part of which he was responsible for setting up franchisees of an ICT training institution all over South India. Importance of professional background for identifying a business opportunity was also clear from the experience of Akhtar Hussain, founder of Communication Networks. He said,

*I was working with an IT company.* I was in the Customer Support segment. There I realized customer service has a major potential in IT business. And this particular thing does not require a huge amount of investment to begin with. During my time, there were people who were into selling machines [computers], big companies like LCC, XVC [names changed; originally they were names of large Indian ICT company] they were selling machines. But there was a problem in terms of service. They were not able to deliver…. quality service, specially to the…. Small and Medium Enterprises. They were concentrating largely on the big corporates. And that time there were very few companies who were into IT business. So … they had huge orders. But the service segment they were not able to cater properly. So, I realized that there is a potential in the customer service segment and I started my business in IT services. So that time … people were not focused on service that much as they are today and the customers were being ignored a lot … So I found there was a potential and there was a segment of customer who were ready to give IT services contract even to new entrepreneurs.

Anil Despande, founder of Tech Writers Inc., also identified a business opportunity during his professional career. He said,

… when I was selling some computer software I realized that we lacked good documentation. So I thought may be somebody can get into this profession, be a technical writer of sorts. So that’s how I thought about it … And so I actually started because I thought there was a requirement for good quality technical documentation in the industry and there weren’t qualified … professional people available to do that job. So I thought that I will do that job. So I will go to various companies and offer them my services and do that job. That’s how the whole thing started … For a lot of people documentation is the dirty job. You ask a coder, a programmer. He is doing a programming. You ask him to write documentation. The thing that he is going to write is a resignation. Its taken as an insult. I was asked to do documentation! What the hell! I joined the company for coding, right, and not a documentation guy. I am a hardcore programmer. You give me something related to programming. I will drink ten cups of coffee in a day and will deliver it to you. Don’t give me something as documentation. I hate writing. There are so many people who hate writing, and we specialize in just that, because its a market.
Many entrepreneurs initiated their business venture after working as professionals. Therefore, the knowledge that they acquired as employees often played an important role when they started their business venture. Mangalam Srinivas, founder of Global Technologies Pvt. Ltd., mentioned,

[Our] entire management team… have worked in… semiconductor industry and within semiconductor specifically in a core technology area called DSP, Digital Signal Processing. So we decided that we need to build on the core competency rather than trying to do something new, totally new. So we decided to focus then on DSP systems, which is a continuation of our background and also an area which is very new as far as India is concerned.

This was true for Naresh Ponnaiah, founder of Sunshine Technologies Ltd., as well. As an employee, while working in the technological field of developing business rules engine he had identified a business opportunity there. He sought to exploit that opportunity as an entrepreneur: “… its kind of a natural graduation process to me”. He felt that, even though there are exceptions, this trend of developing an enterprise in an area where entrepreneurs have professional experience is quite natural among the first generation entrepreneurs as they do not have a family legacy to carry forward.

Naresh Ponnaiah’s statement appeared largely valid, as out of the entrepreneurs who did not highlight their professional background while talking about identification of business opportunity a large segment had family background in business. This included Ajay Aggarwal, founder of Netware Pvt. Ltd., Amit Sharma, founder of Sindh Infotech Pvt. Ltd., and Hitesh Patel, founder of Knowledge Software Pvt. Ltd. Even though for these entrepreneurs family played some role in identifying business opportunity in ICT industry, it is not that their family had a background in the same industry. Prior to starting their business venture these entrepreneurs had never worked in ICT industry. This was not true for all entrepreneurs who had a business family background. Raj Modi, founder of Softech and Raj Software and Communications, Dinesh Marwari, founder of Ryze Softech Pvt. Ltd., and Kirti Harlalka, founder of Knowhow, who came from business families had worked as employees in relevant industry segments. They utilized knowledge they developed as a part of their professional career in conceptualizing their business idea. On the other hand, there was Jayant Srinivas, founder of Ahead Technologies Pvt. Ltd., who was neither from a business family, nor had any work experience in ICT industry to fall upon in conceptualizing his business idea. He began his professional career with the business venture which he is running at present.
5.1.2 Importance of Rational Choice

Economic action, particularly business decisions are, to a large extent, outcome of conscious rational calculations. This includes rationally choosing the industry segments to venture into, by comparing the various options. Amit Sharma, founder of Sindh Infotech Pvt. Ltd., made such a conscious decision while deciding to enter ICT industry. He said,

We thought, let’s get into a business … which is interesting and has a growth potential. And among the criteria we had was that it should be an industry of the future. It should be sophisticated. It should be a clean industry. It should have lower government interference. And we were investigating at that time electronics, that means the production of electronic hardware, not computer hardware per se, but TVs and so on and so forth … I am talking of mid 1980s. And the other … [opportunity] was in the pharmaceutical industry … production. Now I didn’t want to get into pharmaceutical business, for one thing I was fed up of dealing with Government Inspectors and Officers day-in and day-out. Somebody coming for … FDA and all that and it would have been a pain. So I thought is there [any other industry?] And electronics was there. So I went to find out what is more about electronics. In 1986 December, the Department of Electronics held an annual symposium in New Delhi at Pragati Maidan. They held big seminar lasting two days in which particular focus was on computer software … so we had people coming from different computer companies talking about their [work]. Looking at, listening to all of them I felt that listen if you start manufacturing computer, again you are going to deal with labour and this laws and all that. And for a single entrepreneur for a single person it is very difficult to deal with this. So many government departments, so much! So I thought this software looked interesting to me … it was like a sunrise industry at that time.

Identification of business opportunity is not a one-time process which ends once a business opportunity is identified. Rather, it is a continuous process of business activity. For many organizations, it involves considerable research in market trends on a regular basis. Pankaj Sen, founder of Advanced Software Systems Pvt. Ltd., identifies business opportunity by regularly studying the trends in the US and Europe market. He mentioned,

Very good connection with the US market and Europe market you have to have. And we are keeping an eye on what is going on there, what is new…. what is new in say year 2000 [in US and Europe market] becomes new for India in 2005/6. Right? The same thing comes to India … So we pick up what is going on new in US or Europe and then we start building product in that area.

Ullas Gowda, founder of Knowledge Solutions Pvt. Ltd., used the market trend reports available in his last work place to identify a business area worth venturing
into. That is how he identified e-learning as an area with potential. Business opportunity identified by Kunal Raman, founder of Sharp Technologies Pvt. Ltd., was also developed out of careful observation of market. Kunal Raman decided to develop a product in the area of data storage because he had observed that even during the time of recession in ICT industry storage was one area which was growing consistently.

Ability to make rational choice depends on availability of diverse information needed for making a precise cost-benefit analysis. However, such information is hardly available about new business areas. Therefore, ‘hunch’ often plays an important role in business decision-making. When I asked Ajay Aggarwal, founder of Netware Pvt. Ltd., how he assessed the market potential, he said,

… actually we didn’t do that detailed or scientific [market analysis] … It was just…. because my father has been in business since many decades … He is into import-export business … At that time it was not very ... calculated and research-based business decision. It was, this [is the] business, see we are getting into it and start…. plain hunch and also because of my uncle who was there in the US, so my father after…. speaking to him…. felt that this is an opportunity. So lets get into that. So that’s how we got into.

Ajay Aggarwal has a family background in business. It appears that hunch may play a rather important role among entrepreneurs who are willing to diversify their already existing business. First-timers may often depend more on rational calculation in order to avoid the risk of incurring loss. However, even then hunch may become important in specific cases.

Rational choice is important for every entrepreneur. However, the extent to which an entrepreneur may become rational would depend on the situational limitations of entrepreneurs. For example, an individual can initiate a business venture in an industry segment only if he/she has developed some understanding about that segment. In the same way, availability of necessary finance may determine the level of rationality that an entrepreneur may reach in identifying a business opportunity. Therefore, the rational choice that an entrepreneur may succeed in adopting in business is always contingent on various conditions.

5.1.3 Importance of Serendipity

Even though rational choice is important in any business, often serendipity plays significant role in business decision-making process. In case of ICT industry, identification of client industry plays an important role in locating business
opportunity. However, quite often identification of client industry happens by chance. After entering ICT industry, the way in which Amit Sharma, founder of Sindh Infotech Pvt. Ltd., identified business opportunity in a specific segment in this industry was not completely based on his conscious choice. He mentioned, “I think we just got couple of opportunities [that is] projects for customers and we did those projects and *when we did those projects then we saw that this area is a niche.* And so let’s grow further in this.” From this statement it is clear that, if Amit Sharma did not get the *chance* to serve a client from that specific industry segment, he would have probably never thought of specializing in it. This statement shows the importance of serendipity in identification of business opportunity. Rajat Apte, founder of Magnatech Inc., also shared similar experiences. He mentioned,

> Very early on I *got the opportunity* to work or do tech consulting work for a company that focused on the pharmaceutical space. So I got into the pharmaceutical and biotech focused areas *just by chance!* And I have stayed there for the past 15 years.

Serendipity played an important role for Arjun Desai, founder of Win Infotech Ltd., as well, whose entry into BPO business grew out of one project related to BPO which he got from a local customer. Kunal Raman, founder of Sharp Technologies Pvt. Ltd., particularly emphasized on the importance of chance: “… to start a company more than an idea, more than anything else if you really want to do it, you should take the plunge. Once you take the plunge you will find opportunities … You, don’t [need to] have a plan … I just researched. *One [finding] leads to another*. Despite giving significant importance on chance Kunal Raman also emphasized the need for practical considerations. For example, he mentioned, “… with limited resources what can I do…. I can’t hire hundred people and develop something. I can’t do hardware. Okay. I don’t have any domain knowledge of hardware. So I can do only software…. So that’s how I start”.

Dinesh Marwari, founder of Ryze Softech Pvt. Ltd., made it clear that, even though business decisions may often be taken by chance, it is important to project it as an outcome of careful consideration. When we asked him how he chose telecommunication as an industry to focus on, he said,

> See most companies will actually say that it was a well defined strategy and things like that. So if I am giving a press interview that’s what I will say. But I can guarantee you that every company at least starting out will define their strategies based on opportunities that come to them…. We were going after any client that we could get. *It just so happened* that many of our clients were in the communication space. So by default, you build expertise and build
referenceability in that industry. Now if I have got ten clients in this industry and I have got one client in the banking industry, if I am talking to a new customer in the bank [that is banking industry], it's much more difficult for me to convince him to work with me than if I am getting a new customer in telecom industry, where I tell him listen I have ten other customers – this is what I have done and he has ten people to talk to if he wants to validate what we have done in the past. So it's much more easier for us to get a customer in this space and it gives us a good focus and a good platform to talk to a customer. So that's how everybody builds their vertical focus area. That's how we have done it.

The issue of serendipity also emerged while interacting with Rupa Datta, founder of Infonet Pvt. Ltd., about her experience in preparing a business plan for getting venture finance. According to her, when it came to implementation, her business model changed drastically from what she had written in her business plan. In her words, “we were sitting in and assuming what the market would need, right? Now, when you really get into the market you suddenly realize that market also needs this, and also needs that and also needs that.”

5.1.4 Importance of Professional Relationships: Potential for Social Capital

Developing and maintaining professional relationships is of tremendous importance for any business. Such relationships may include people with whom an entrepreneur has worked as co-worker during her/his career as employee in different organizations. It may also comprise of people who were not co-workers of entrepreneur, but whom the entrepreneur came across through her/his employment career, for example, independent professionals or people working as employee in other organizations with whom entrepreneur’s then employing organization had some form of association. In addition, people known to the entrepreneur through various professional associations and meet-ups, where the entrepreneur participated would also be considered here. Professional relationships would also include people whom an entrepreneur came across through her/his the own business, for example, customers, financiers, employees, etc. To a large extent, social capital required for business develops out of such professional relationships.

Importance of maintaining professional relationship for developing business was emphasized by a large number of entrepreneurs. To use the words of Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd., “what’s important… in doing business… is contacts… so I think, the critical thing… is having the contacts and… keeping in touch with them”. Quite often, informal discussion with existing customers
may generate business idea. This was the experience of Rajat Apte, founder of Magnatech Inc. He mentioned,

_I had several pharma and biotech companies as customers. And they started talking to me about this general problem they had … They had labs where they were spending lot of money, but the data that these equipments were generating wasn’t easily accessible. It was accessible from within the instrument, it was accessible from the software that ran the instrument. But it wasn’t accessible once you moved out of the realm of that instrument and that lab…. So these customers started coming to us and say can you build some automation within the lab which will allow us to, seamlessly and in an automatic way take instrument data and transfer it to business applications. Then I said I would look into it. The more I looked into it the more excited I got because now you are looking at a real opportunity where you could potentially build a platform and a business around this … That’s when I started thinking in terms of creating [a business around it].

However, it does not mean that discussion with professional colleagues would always help in developing a business idea. This may be useful for incremental business ideas. However, disruptive business ideas are usually non-conventional in nature. Therefore, not everyone can identify its worth. This was the experience of Anil Despande, founder of Tech Writers Inc. His company offers service in the field of technical writing. Even today, the field of technical writing is not well-established as business, that is, people are not sure whether a business can depend solely on technical writing service. The situation was even worse when Anil Despande started his business in this field. Being a new non-conventional field, his then colleagues hardly had any idea about it. To say it in his words, “I did discuss it with my colleagues. Most of them did not understand what I was talking about.”

Social capital emerging out of professional relationships has the potential to become important for all entrepreneurs. However, we found that entrepreneurs from business families, whose family members were strongly involved in their business, were relatively less vocal about its importance. Such entrepreneurs included Ajay Aggarwal, founder of Netware Pvt. Ltd., Amit Sharma, founder of Sindh Infotech Pvt. Ltd., Hitesh Patel, founder of Knowledge Software Pvt. Ltd., and Dinesh Marwari, founder of Ryze Softech Pvt. Ltd.

5.1.5 Importance of Personal Relationships: Potential for Social Capital

Just like professional relationships, personal relationships also play an important role in developing business. Personal relationships may include kindred connected directly or indirectly to the entrepreneurs either through blood or through
marriage. It may also entail friends of an entrepreneur as well as that of her/his family member(s). Such personal relationships may often function as social capital for business. Social capital of various types being extremely useful for developing business, all entrepreneurs attempt to build them.

This research began with the presumption that ICT is a new industry, and therefore, no entrepreneur would have a family-based social capital in the same industry. This would mean that every entrepreneur would have to develop necessary social capital with her/his own efforts. However, in the process of research I realized that coming from business family background had its own advantage in terms of social capital development, irrespective of the industry the family members of the entrepreneur were involved in. This could happen in multiple ways. Even if an entrepreneur has family members who are involved in an industry different from the one in which the entrepreneur wants to venture into, those family members could still be resourceful for the entrepreneur if they have connection with people from entrepreneur’s target industry as friends and/or professional colleagues. Such family members need not necessarily be entrepreneurs. Even as a salaried professional, an individual could possess insider information about an industry.

Ajay Aggarwal, founder of Netware Pvt. Ltd., who is from a business family background, utilized such information for developing his business. As he mentioned,

*I have an uncle who is … a very senior US-based IT consultant…. he had come to India at that time. So my father met up … So my uncle said that this is also an opportunity and Internet at that time was just on the horizon or just starting, because Internet in India started in [19]95 …*

So at that time that seemed one industry to get into.

Ajay Aggarwal functions in Internet industry. When he decided to start his venture the industry was in its nascent stage. Here Ajay Aggarwal utilized the advantage of having access to insider information not available to others. Ajay Aggarwal had an uncle who was based in the US and was working in the industry of Ajay Aggarwal’s interest. However, family connection, in order to become social capital for business, need not be in the same industry in which the entrepreneur wants to venture in. As a second option, family connection in other industries, particularly industry of prospective clients, could also turn out to be useful. This was quite clear from the experiences of Raj Modi, founder of Softech and Raj Software and Communications, who began his business with development of an accounting software. He mentioned,
We are basically from a business community. So we have contacts with, it well could be, Chartered Accountants…. kind of family network is there, and plus over all, [in] marketing one contact leads to another and so on and so forth … father’s contacts, in the sense, that Chartered Accountant. He had a very good Chartered Accountant friend … Speaking to Chartered Accountant, speaking to the person whom you know [about] whether there is any requirement of this product? …whether people will buy? … Because pricing will very much depend on that. What people are willing to pay.

Social capital emerging out of family relationships may not always be in terms of social network with people who are well aware about the industry in which the entrepreneur wants to venture in. Social capital may also entail resources evolving out of entrepreneur’s relationship with family members who have no connection whatsoever with the industry in which an entrepreneur wants to venture into. Entrepreneurs may identify a business opportunity just on the basis of their familiarity with the everyday activities of their family members. That is how Hitesh Patel got the idea of starting Knowledge Software Pvt. Ltd.:

My wife does a lot of quizzing activities at my children’s schools…. like every other quizzer my wife also used to make her notes when she would find an interesting piece of information. She would note it down in a scrapbook at best in an electronic format, lets say in a word document or in an excel sheet, or whatever. Now when the time of the quiz came, between one quiz to another quiz there would be about a year gap, or six months gap and each quiz depending on the age group would require about may be two/three/four/five hundred questions. So you really needed to have a really good database of questions. And they had to be different from the earlier quiz, okay. So, she always had a nightmare, when she had to set a quiz and etc. Because, by the time the quiz came in she would not be able to find where she wrote those questions…. the same problem is also [there] when its electronic filing, okay … So the only solution was to handle this through a database application…. Then when KBC [Kaun Banega Karorpati – a television programme based on quizzing] came into the country, I think which was in about 2001, I realized that perhaps I would be able to exploit the software that I developed for my wife, a very basic software that I made for her, I will let it commercially. So I looked around and I realized that what I wanted to do with the software nobody had done in the world before. In the form that I wanted to do. So we started working … I started building upon this one idea and that idea led me to looking at various areas of life where we as individual quote individual users create information related to our needs for learning or our needs for entertainment and I realized that I could apply the same philosophy to creating a data software application for vocabulary.

Hitesh Patel’s experience shows how everyday life problems can give rise to business ideas. *Initial ideas behind the various knowledge management softwares which he*
offers today can be traced in the observations that he made in his personal life earlier on.

It was observed that entrepreneurs having a family background in business were more vocal about the resource potential of their personal relationships. This included entrepreneurs like Ajay Aggarwal, founder of Netware Pvt. Ltd., Raj Modi, founder of Softech and Raj Software and Communications, Amit Sharma, founder of Sindh Infotech Pvt. Ltd., Hitesh Patel, founder of Knowledge Software Pvt. Ltd., and Dinesh Marwari, founder of Ryze Softech Pvt. Ltd. However, not all entrepreneurs whose family members were involved in business emphasized the importance of their personal relationships. This included entrepreneurs like Pankaj Sen, founder of Advanced Software Systems Pvt. Ltd., Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd., Naresh Ponnaiah, founder of Sunshine Technologies Ltd., and Kirti Harlalka, founder of Knowhow. That these entrepreneurs did not emphasize the relationship with their family members, even though the latter were involved in business, can probably be explained by the hiatus between the nature of business of these entrepreneurs and that of their family members. As a result of this hiatus, the family members hardly understood the business the entrepreneurs are involved in.

Thus, educational and professional background was found to be playing an important role in the identification of business opportunity. At the same time, relationships developed and maintained as a part of one’s profession or family also played an important role for many entrepreneurs in locating business ideas. In this context, outcomes of such relationships may be considered as social capital. Often identification of business ideas were cumulative effect of multiple factors mentioned above. Discovery of business opportunity is frequently highlighted as an achievement of the entrepreneur reached through rational calculation. Even though the importance of rational choice can not be ignored, serendipity was found to be emerging as an important factor in the whole process.

5.2 Identifying Prospective Customers: Marketing Strategies

Customers are drivers of any business initiative. Therefore, once the market opportunity is identified, enterprises spend considerable effort in identifying prospective customers. Depending on the nature of business initiative, the processes through which enterprises attempt to identify prospective customers vary
considerably. However, broadly it is possible to locate certain considerations that entrepreneurs keep in mind in this process. Customers are often less certain in depending on new companies or new products, due to lack of familiarity with their performance. However, as entrepreneur, one needs to find a way of convincing people and get new customers.

For quite a few entrepreneurs in a technology-based industry like ICT, identifying prospective customers is quite a challenge. Vinay Reddy, founder of Software Consultants Pvt. Ltd., a company involved in building software products and offering services in website development, website hosting, networking, Linux, etc. mentioned,

The main challenge that I am facing in the business at this point in time is sales and marketing. Because I believe I have created a company with enormous potential to sell because of all the products that I have, the range of services we offer, though being very small … So now somebody has to exploit this potential of this company … and it doesn’t come naturally to me. I can present my own products very well. I know those products very well. But in terms of persevering with a client, selling it to him, making the deal, closing the case, we need a different personality.

The experience of Naresh Ponnaiah, founder of Sunshine Technologies Ltd., a software product company, is similar.

5.2.1 Reference-based Marketing: Potential for Social Capital

References of various types may play an important role in the marketing of products and services. Reference is the process through which the entrepreneur uses another person, who is familiar with the entrepreneur and/or her/his business offering, as referee. Role of referee is tremendously valuable in developing confidence in the mind of people who are unfamiliar with the entrepreneur and/or her/his business offering. Quite often a referee may be a person who has once been a customer of the entrepreneur. Broadly, it is possible to identify two types of references. In the first type of reference, which is more prevalent, an entrepreneur may mention about her/his association with the referee to a prospective customers in order to develop confidence in her/his mind. The referee may or may not be personally known to these prospective customers. In a second type of reference, which any entrepreneur values much more than the first type, people familiar with the entrepreneur and/or her/his business offering may suggest other people known to them to avail the product or service offered by the entrepreneur.
Ajay Aggarwal, founder of Netware Pvt. Ltd., attempted to identify prospective customers by building confidence in their mind. His initial strategy was, “… rather than going as an individual where, as a person, I have to prove my credential. So take someone who already have the credential…. and take him along as an associate and approach the market.” Being in web designing, he decided to design websites for various industry associations, like Builder’s Associations of India and All India Rubber Industries Association, at a concessional rate. The idea was that, once he has established a relationship with these associations, it would be rather easier to convince association members to hire him for doing their own web-designing work. This strategy helped Ajay Aggarwal in developing reputation about his work among prospective customers who never knew him personally. Here reputation was developed by using relationship-based social capital that existed between associations and their members.

In case of nascent entrepreneurs, who are yet to develop reputation in the market, social network may play an important role in identifying people whom entrepreneurs would like to approach for job. In such case, relationship may be used as a tool for earning the confidence of the customers. Naveen Jayakumar, founder of Datamagic Pvt. Ltd., plunged into entrepreneurship and then started looking for business opportunity. He got his initial leads in business through social network of his founding partners. Experience of Chandan Sivaram, founder of Soft Solutions Pvt. Ltd. was the same. Kunal Raman, founder of Sharp Technologies Pvt. Ltd., recollected similar memories about his brother who was the founder of the first business venture with which he was associated. He said,

… my brother had to actually walk into lot of companies in Bangalore through friends, meet some managers, meet some VPs and then try to get some work … So through his relationship, through his previous work experience whatever people he knew he just targeted and then through known contacts we got some projects to bootstrap our company.

According to S. Ram, founder of Integrated Software Solutions, as an organization scales up, the role that may be played by personal social networks of entrepreneurs goes down consistently. However, this does not mean that social network becomes unimportant. In his own words,

Because your personal relationships will have some limitation. But of course you have to expand that personal networks…. they still play a part. But that is backed by a strong institutional effort actually. So you must have good websites…. Because maturity in the marketing process takes time. It doesn’t happen overnight. So building that takes time … that
[building social network] is anyway nonnegotiable. So how do you expand that is the question.

At the same time, social capital may not always be the best resource for identifying prospective customers. S. Sivakumar, founder of Datainformatics Pvt. Ltd., resells softwares. Even though the idea of dealing in this software came from a person whom he knew well, that person never became a customer for this product.

There can be other types of limitations of social capital as well. This was obvious from the arguments of Alok Dutta, founder of Silicon Networks Pvt. Ltd. He discussed in detail how he used his nationality to get business through Indians working with companies in the USA. He said,

… tons of university students were sitting in the US in those days … those guys have got into maturity in the sense that [as] they were ten years or fifteen years seniors they were probably sitting in reasonably critical positions in organizations. So you start approaching them as one source. But you don’t limit it to that. But that’s obviously one [source] … and through them it becomes like a chain. They did help … that’s the door-opener. But the pressure on satisfying that kind of a customer is more than satisfying a total black-box customer…. [Whereas, when you are serving an unknown person] there is no emotional attachment. It’s a job, you don’t do well they let you go, you do well they come back to you. So clean! Over here, the emotional aspects come in. And the pressure on you is more to do it. And they have to prove themselves in their organizations. So you have to prove … Its not just an obligation that okay I failed to fulfil because that guy’s position is at stake A and B you know, your relationship with that fellow is at stake, okay? And so you have [to do] much more. I would say it is a great help. I will not deny it. But then those contacts which we have got from those sources sometimes will be more difficult to deliver.

5.2.2 Reputation, Trust and Attracting Customers

The findings of this research endorse the importance of reputation in various aspects of business including the process of attracting customers. Reputation in the context of brand depends primarily on the ability of a company to build a public image about the high quality of the company and/or its business offering. Customers’ reliance on brand does not depend on their familiarity with the functionaries of the organization that is offering that brand. Neither is it essential for a customer to use a brand in order to rely on it. However, till the time a company and/or its business offering becomes a brand, reputation may develop in two different ways. First, customers may begin to rely on the business offerings of a company either because they have availed it and are satisfied with it, or because their close acquaintances have similar opinion about it. Second, customers may begin to rely on a company because
they are familiar with the ability and/or the qualification of the functionaries of the company, particularly its founder. The second factor often becomes more important when a customer is dealing with a new organization whose business offering is yet to attain a reputation in the market. Reputation is closely related with trust, which in this context primarily refers to reliance.

According to Vishnu Krishnaswamy, founder of Techvision, “nobody gets fired [from their company] for choosing IBM [as vendor]”. This is because IBM, as a company, has now become a brand and, therefore, carries certain inherent reputation. Whereas, depending on a new company always involve some risk for the customers, as the credibility of the company is yet to be established in market. Rajat Apte, founder of Magnatech Inc., said that initial customers are generally individuals or companies who are willing to take the risk. Therefore, in the initial stage, it is necessary to know who the risk-takers are in the target industry. Such risk-takers need not be organizations. They may be individuals in various organizations. According to Rajat Apte, in a technology product industry, one characteristic of these early users of new technology is that, even though they are not completely satisfied with what they are getting, they are confident that they can work with the manufacturers of that technology to take the product to the next level to make it useful for them.

While it is true that the initial customers take risk by depending on a new organization, customers often find a way of mitigating such risk with the help of familiarity with the entrepreneur as a person and/or her/his ability. This was clear from the experience of Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd. One of Gautam Apte’s initial customers, who knew his ability personally, decided to trust the reliability of Innovative Web Solutions Pvt. Ltd. because Gautam Apte was the person behind it. Gautam Apte said,

See basically … I started tapping my network and informing [various people I know about] … what I have [got] to deliver. And if these people are in large companies … who were already presidents or chairmen of large companies. So now, one example was I approached the president of my last company that I worked for. And he was an American. So I told him well look … this is what I have. I have started on my own. We have a small team of just four/five people. This is what we can deliver. And because of my professional record in that company he said hey, you know, I have seen you perform in our previous company. So as long as its you handling it I don’t have an issue working with you. So … [I would] let my VPs know [about you and] work related to this technology, may be we can get it done through you. So that’s how I started.
However, in the absence of initial customer’s familiarity with the entrepreneur’s ability, an entrepreneur may use her/his educational qualification as well as work experience in a reputed organization to build her/his reputation in the mind of the customer. Pankaj Sen, founder of Advanced Software Systems Pvt. Ltd., in the initial stage, used these credentials to build confidence in the mind of customers. He said,

See at that time when we started a new company we could not sell the company because nobody knows the company. So we started selling myself. Right? My skill sets, my experience, my educational experience, and then I said … I have this experience in LCS [name changed; originally name of an MNC] and other places. This is my background and we can [solve] your Y2K [problem]. We can train your people and all these. And still it was difficult initially. Okay, because people do not just believe the words. So we said, okay, fine, we will test your software for Y2K conformance, [and find] whether it will pass through or not. And we will do it free of cost. And if we really find yes there are problems then it is upto you whether you will give [us a contract to rectify it] or not.

The second part of the argument of Pankaj Sen shows that often educational qualification or work experience is not sufficient to build trust in the mind of the customer. Therefore, it may become necessary to offer free service as sample of ability of the company. Many of the initial customers of Pankaj Sen were these companies for which he did free Y2K testing.

5.2.3 ‘Cold Call’: Marketing without Reference

‘Cold-calling’ is a term used by entrepreneurs to imply marketing initiatives where reference plays no role. Such initiatives may either involve calling up prospective customers over the phone or even visiting their offices. Even though Ajay Aggarwal, founder of Netware Pvt. Ltd., decided to use industry associations to enhance his reputation among their members (as mentioned under supra 5.2.1), for reaching these associations he often had no reference to fall upon. Instead, he had to depend upon cold- calling. Entrepreneurs often used a combination of reference-based calling as well as cold-calling for identifying prospective customers. This was confirmed by Raj Modi, founder of Softech and Raj Software and Communications. He is currently marketing a software targeted towards the stock-broking industry. For marketing this product, he contacts ‘known’ as well as ‘unknown’ stock-brokers. The word ‘known’ does not necessarily imply sharing any close relationship. It may just mean knowing someone by face. However, Raj Modi mentioned that cold-calling may not work as a marketing strategy in all industries. In stock-broking industry it works,
because, according to him, it is an organized industry. Whereas, in diamond industry, which was the target industry for his previous software product, cold-call does not work, because diamond industry is entirely based on informal relationships. In diamond industry all business transactions are dependent on references.

Anil Despande, founder of Tech Writers Inc., said he used cold-calling to a large extent during the initial period. Whenever he visited the office of one company at an industrial estate he always carried some extra brochures about his organization. He would always try to walk into offices of other companies in the same industrial estate and attempt to talk to person(s) concerned. Sometimes business did develop out of such visit. Anil Despande mentions,

[In one company the] Purchase Manager…. could not understand what I was talking about. So, he was actually very irritated…. He said, I don’t need your service, anything. But I said, “this is my brochure, just in case you need to keep on a record or something like that”. And he said, “I don’t think we are going to need your service and all that, but anyway since you have come over here I am going to keep it”. I was so nervous because of that entire episode that after that I did not go to any other company. And I started my bike and I came home … And by the time I came home somebody from that company had already called saying that send that fellow to me as soon as possible…. So I said, “that’s strange, I went to the same company, where that Purchase Manager almost kicked me out and now you are telling me that somebody had called”. So I called that person [who was]…. Director, R&D…. So he said that will it be possible that you come down tomorrow to my office? Next day I went there…. And then that person actually took me to the shop floor. He showed me that product and he said I want you to write a document for this product. For the same company subsequently I wrote five manuals. So it was hard selling. Literally door to door, in a few cases.

In organized industries it is relatively easy to identify who may become prospective customers. Vishnu Krishnaswamy, founder of Techvision, identified organizations as prospective customers from multiple sources, like top 200 companies listed by Data Quest magazine, membership list of Software Technology Parks of India (STPI), companies listed in ICT directories as well as, Internet. Anil Despande, founder of Tech Writers Inc., had learnt the process of identifying prospective customers during his previous work experience as a marketing professional. Being in the profession of technical writing he extensively went through product catalogues, business catalogues, yellow pages, and trade magazines in order to identify organizations that may require his service to prepare documentation for their product. However, among all companies which would require his service, considering his educational background, he chose to focus on electronic product manufacturers. As he
said, “I thought that made a lot of sense, because I was an electronics engineer. So they would want to take the chance because I am already a qualified engineer. Saying that, okay this fellow can understand our product.”

5.2.4 Mass Marketing: Role of Serendipity

In addition to ‘cold call’ and ‘reference’, prospective customers may be identified through mass marketing as well. Mass marketing implies marketing strategies using various mass media. Popular marketing strategy through mass media would include advertising in television, newspaper or radio. However, it may not be feasible for many small- and medium-sized companies lacking necessary financial support to go for such a model of mass marketing. Therefore, entrepreneurs identify various alternative strategies of mass marketing.

Mass marketing becomes essential when entrepreneurs are not sure who can become their customers and, therefore, cannot use cold-call or reference to market their business offerings. Such a challenge is generally faced by entrepreneurs who are attempting to market innovative technology. Naresh Ponnaiah, founder of Sunshine Technologies Ltd., said about his product that it was disruptive in nature: when the product was launched there was no established market for it; rather, market had to be created by disrupting the existing nature of technology.

Hitesh Patel, founder of Knowledge Software Pvt. Ltd., also faced a similar challenge regarding his knowledge development software, which was completely new to the market. He said, “… when you are doing something new … the challenge always is to convince someone that what you are doing is very new. And you need that one person who has that influence to understand that yes this makes sense and yes this can change the way a lot of things are done.” He had little idea as to who could be the prospective customers for his product. He tried to face this challenge by displaying the product at tradeshows. However, simultaneously, he also interacted with software distributors as well as PC makers as prospective customers for his product. According to him, the challenge is more difficult in product industry in comparison to service industry. In service industry the entrepreneur can find out from the customer what he/she requires. In the absence of a ready-made customer in product business, the entrepreneur can only use her/his intuition to guess the needs of prospective customers. The situation was even more complicated in case of non-conventional softwares which Hitesh Patel built for maintaining a personal collection
of jokes, quiz questions, etc., as, unlike conventional accounting or statistical analysis software, there are hardly any standard rules for such non-conventional software.

In addition to displaying a product at trade shows, of late, Internet has emerged as an important medium of mass marketing. As Kunal Raman, founder of Sharp Technologies Pvt. Ltd., observes, “You have to create a product and then you just have to make it available for download. People try it out…. We don’t know the market segments that are there. What segment we want to target it. We were kind of ignorant about all that.” However, at the same time, it was also necessary for Kunal Raman to utilize other media. He said,

… you try to get some media attention, writing to editors and everything that can be done free. Go to tradeshows and then there is word of mouth [reference] … then [looking at] the kind of people [who] … keep contacting you [saying] … I find this product useful. Based on that you then discover okay, this is where our product has the most demand. So let’s … target that market segment. So that’s how we learnt.

Depending on the nature of business offering traditional method of poster/banner-based mass marketing may also turn out to be useful. Arjun Desai of Win Infotech Ltd. began his career as an entrepreneur by opening a computer training centre. He said,

I remember the first day. The previous day we all went on cycles and we stuck all the posters about launch of our company. All over the streets we had stuck the posters and all that. We had our friends, relatives joining together…. first four days we were all sitting and waiting for people to come. Nobody came in. And slowly one by one [students] trickled.

Even though Anil Despande, founder of Tech Writers Inc. began his business with electronics product industry, later on he started working for industries other than electronic products. In identifying prospective customers in other industries, particularly in ICT, serendipity played an important role. He said,

One … very senior person … called me, he saw my advertisement in I think Express Computers. I used to advertise once in three months … [He was from] an IT company. So I went and I met him. He liked the way I made a presentation and everything and he said why don’t you work for the IT industry. And he said actually I don’t have any work for you right now. I just called you because I got interested by your advertisement…. And he said … why don’t you start working for the IT company, creating help files and all. I said how do I create a help file? I don’t know how to create help file. So he said there is a process and if you have to learn that process read so and so book. Then I went on searching for that book which I finally got in Mumbai. I read that book. I learnt how to create help files. So that opened up one more avenue for me. Then I started approaching IT companies also. When I started approaching IT companies I realized that the electronic product manufacturers had smaller requirements….
Writing a manual for … [them] would give some ten/twelve thousand rupees. Whereas, software developers or IT companies had a big product with something like 500 screens…. So you have bigger assignments…. And that means you don’t have to go and market your service everyday.

In identifying prospective customers, the role of serendipity is more important when entrepreneurs lack clear vision of who their prospective customers are. Entrepreneurs in software product industry may lack clear vision about prospective customers when they have developed an innovative product for which market is still unknown or less known. They would face a similar situation if they start looking for business opportunity after plunging into entrepreneurship. In such cases, entrepreneurs may be more concerned about getting work than about the nature of work that they may get. When the nature of work takes a backseat, entrepreneurs would not be very focused in deciding whom they approach for work.

According to Naveen Jayakumar, founder of Datamagic Pvt. Ltd., “It is not by choice…. Somebody wanted and we did and they were satisfied. That became a standard and then we improved it…. That became a stable product”. Kunal Raman, founder of Sharp Technologies Pvt. Ltd., also experienced the importance of serendipity in a significant way when he started marketing his data storage software product. He said,

I knew there is a demand for this peer to peer backup for home networks…. So I knew there are millions of people like that, companies like that. So I knew the market is there, then comes the challenge of how do you market to them … do we have the marketing resource or can I invest so much in marketing. So then if I go down that path then I have to really raise venture capital. And at that time … we were not willing to do a projection. Obviously VCs were not interested in talking without having a plan from us which we were not willing to create…. that’s why I said when you start sometime lot of things looks like serendipity, which is like right place at the right time…. So we … had a product, we … put it out for download, lot of home networks, lot of consumers are downloading … I need thousands and thousands of people to buy. Only tens of people were buying…. Then we had other type of people who liked our product – service provider. Small value added reseller who downloaded and said this is good. I want to offer an online backup service. Your product looks good. Can I use it for online backup service?…. Then we discovered okay … there is a market for that. Then we created an edition called service provider edition for our product. We just targeted at online backup service providers. So that is why I hate creating a plan. Okay, because … I never thought about this remote online backup initially.

Thus there can be multiple ways of identifying prospective customers; using social capital is one among them. Other than social capital, one may use cold-call or
various strategies of mass marketing as alternatives. With reference to mass marketing, serendipity plays an important role. However, serendipity may be important even in case of cold-call. While looking for prospective customers, entrepreneurs simultaneously utilize multiple techniques. Out of these paths which one would be successful in bringing customers is again, to some extent, a matter of serendipity.

### 5.3 Getting Initial Customers

Entrepreneurs deploy various strategies for marketing their products and/or services. But no one strategy assures them customers. Getting initial customers is a particularly difficult task. This is because, here, customers are dealing with an entrepreneur whose reputation is yet to be established in the market. This is especially so when an entrepreneur is offering a new type of product/service. This was the experience of Anil Despande, founder of Tech Writers Inc., who offers service in technical writing. He said,

> I had … approached quite a few companies. But they were not ready yet for that idea. Many of them thought that they already had good documentation … many of them thought that people don’t read documentation even if you give them. So it doesn’t matter what we give them. They are not going to read it anyway. So why spent something like twenty thousand rupees on getting good documentation written, when its not going to read and appreciated at all. Some companies thought that why should an outsider write my documentation. I am the best person to write about my product. And I used to tell them that you are definitely the best person. But then your work is that of a R&D Manager. If you start writing documentation what is the return the company is getting out of your salary. That should not be the idea. So slowly they started realizing it and then the … inflow increased.

There can be different ways of getting initial customers. In many instances it was found that relationship played an important role in getting the first customer. Initial customers may also come from cold-calling, where the nascent entrepreneur is able to convince an otherwise completely unknown person to become a customer.

#### 5.3.1 Reference: Role of Social Capital

The importance of social capital in getting initial customers became clear from O.P. Nayar, founder of Accent Tech Solutions. When asked about the importance of reference in getting initial customers, he said,
Yeah, see this is very important in the initial days. Because initial days … word of mouth only can help. You know, initially, you are small company. There are big companies, right? Why should a customer change from an established company to a start-up company as their vendor? So that will happen only if your price is lower. But price alone cannot be the criteria. You got to have the quality and dependability, reliability. All those things are required. So that, you know, if somebody gives some reference it will help you.

A large number of entrepreneurs who had a family background in business used some form of reference in getting their initial customers. Such references came through personal and/or professional relationships. Ajay Aggarwal, founder of Netware Pvt. Ltd., who is from a business family, said that his first customer was through a business contact of a friend with whom he had a relationship at stock market. Same was true for Amit Sharma, founder of Sindh Infotech Pvt. Ltd. and Raj Modi, founder of Softech, and Raj Software and Communications. Raj Modi’s first customer was his cousin’s friend. It is not that for getting customers through reference an entrepreneur has to depend only on his acquaintances. Contacts established by employees may also be useful in identifying initial customers. This was true for Amit Sharma, founder of Sindh Infotech Pvt. Ltd. Managers in client organizations of Sindh Infotech Pvt. Ltd. were known to managers of Sindh Infotech.

Interviewing Dinesh Marwari of Ryze Softech Pvt. Ltd. was an enriching experience in understanding how family-based social capital facilitates the process of getting customers, as he comes from a family which has more than one hundred years of experience in founding and running large-scale businesses in different industries. He said,

I think … especially starting off from scratch, with zero experience in building a software company the only way you can grow is contacts. You know, if I am a guy that has built a division of ZCS, or MBC, or IBT [all names are changed; originally they were names of large Indian ICT companies] for fifteen years I have over a period of time built relationships and have built a credibility … there is something to do [with] this experience. But with me with three years experience, three and a half years experience, may be a bright young chap but the only reason I would give you business is I trust you and I trust your capabilities, not because of your experience or credibility. Because you don’t have that. So even till date most of large clients are relationships of mine that have been leveraged. You have to do a lot of networking, you have to do a lot of getting to know the right people and then sort of getting introduced into the right areas.

However, the importance of reference in identifying the initial customers was also visible for entrepreneurs who did not have a family background in business.
Many of those entrepreneurs tried to utilize relationships developed by them in the course of their professional career. This was also true for entrepreneurs having family business background but whose family members hardly participated in their business, for example, Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd., and Kirti Harlalka, founder of Knowhow. Often entrepreneurs began with a reference-based client. Akhtar Hussain, founder of Communication Networks knew his first client, who was a customer for the last company in which he was working. He knew that his employer organization was not able to cater to the requirement of this person. O.P. Nayar, founder of Accent Tech Solutions, also utilized the relationships that he developed as a part of his professional career in order to find customers. Even an entrepreneur’s ex-employer may become one of the initial clients. This was the experience of S. Ram, founder of Integrated Software Solutions.

Jayant Srinivas, founder of Ahead Technologies Pvt. Ltd., primarily works with various government departments for their e-governance projects. In the initial phase, he got introduced to government organizations as customers through the founding partner of his company. The founding partner developed this association while he was doing his project work as a part of engineering degree at a government research organization. For Anil Despande, founder of Tech Writers Inc., the first customer came through personal relationship. He said, “I actually started with one of my friend who was doing some software development and he wanted me to write for that.” Ullas Gowda, founder of Knowledge Solutions Pvt. Ltd., also experienced the same. His first customer came through the contact of one of his founding partners. To the best of Ullas Gowda’s memory, founder of his first customer’s organization was a classmate of the sister of his founding partner.

Entrepreneurs like Naveen Jayakumar, founder of Datamagic Pvt. Ltd., felt that even though ‘gut feeling’ is required to start a business, without social network no business can be developed in the initial stage. His first business contract came from a friend, earlier his senior in an organization, who started a business with some friend’s connection in the USA. Therefore, Naveen Jayakumar believed,

Through friend’s connections only all these things were happening, to start with. You can’t suddenly say, I will buy so many computers and I will employ so many people and now I start a business. What will happen next? That will really get going only with the connections with some kind of a trigger … you can not start with a total fresh organization with a marketing person [and] say, this is the product, you go and sell. That can not be the starting point. Always
it starts with, if you do this you can use this fellow’s connections, you can do this, you can sell this, you can approach this market and you already know the market and its potential. All that knowing means you have connections. You are already in it. That’s where your social capital comes in]… You know the kind of market there. With that kind of thing in mind only I will start.

ICT is one industry which has succeeded in bringing down the importance of geographical distance to a large extent, primarily as result of intensive use of new communication technology. Given this nature of ICT industry, social networks have not remained restricted within the boundaries of nation state. Transnational networks, particularly with people/organizations located in the USA or Europe, have emerged as extremely important for developing business, even in getting initial customers. This was quite important with reference to ICT industry, as a large number of companies in India target overseas companies as customers. Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd., as well as James John, founder of Spaceage.com testified this. They got their first customers through such transnational networks. Gautam Apte said,

… 8/10 years of working [in the US as a professional]…. I made contacts, I made friends, you know, international contacts mainly that help me [in business] … what gets you business primarily, what gets you leads is contacts. So I think, the critical thing was moving to the US, working there for a couple of years, coming back…. When the slowdown [in ICT industry had begun] … [during] this slowdown of the IT industry … most of us [were] coming to office with no work, no projects. So, I said … why don’t I try, you know, taking up a small project. So, again I connected with a friend in California. They were also going through bad time. But they said, you know, it’s a good way to bring our cost down if you can execute some of our work in India.

Although initial customers may come through friendship relationships, such customers also need to be convinced about what they are going to pay for. This was quite clear from the experience of Vinay Reddy, founder of Software Consultants Pvt. Ltd. He said that, without ever being part of an industry, he has the ability to understand the requirement of that industry and build a software suitable to that requirement. This is quite useful in convincing a customer about his ability. He said,

… first software [that I] developed and sold … was on accounting. Accounting and inventory couple of my friends wanted. Because they wanted some special inventory…. which a standard package could not give them that facility. So that was my first sell of product … [But] you can’t develop a product after the demand comes. The time difference is too much. Because developing a product is only just not writing the code. There’s lot of research. There’s lots of research that you need to do … So I had all these products almost semi-ready
or 90 percent ready. But I fine tuned it after I got the first order. *Because if I could not have shown [the] product he would not have bought, even if it was my friend…. they come in the last minute [saying] I am going to buy this. What do you say. Then I say okay if you are buying this then I will I can give you an alternative. I can provide you one. Okay, can I see this? Oh yeah. [They would ask] in this can you add that, can you delete this? Yes I can do that. Okay fine. But if I don’t have anything to show and I am saying I am going to say I can develop this and give there’s not going to be many buyers. It’s a problem.

First customer is important not only to initiate the revenue flow, but also to get subsequent customers. People and firm are understandably hesitant to be the first customers. Entrepreneurs therefore, often use their social capital to get their first customer. Once there is one customer, it is easy to convince others to become customers for the same product/service as they have the advantage of getting the feedback. Naresh Ponnaiah, founder of Sunshine Technologies Ltd., said,

… once we had the idea, we wanted some early first customers. *So we went back to a friend of ours who is the MD of a very big company…. He is founder of that company…. So I said we have this product and we think this can solve this particular problem for your company. And we want an opportunity to use this product to solve that problem for your company … next day he gave us a order saying that go ahead and do it and this is my first contribution. So it happened so easily for us so I think we really used that opportunity…. So basically they gave us that opportunity to make … a finished product. *So once you have that then you have a reference…. [Getting the first customer] I think, its primarily again a matter of trust. That person really knows me as a very good IT person … anybody who want to go and sell [is asked] do you have customer. Nobody wants to be the first person. Just because this company gave us that opportunity to be the first customer, this made it that much more easier for us to go and tell the second customer that we already have a customer and you are not the first guy. So in that way it definitely helped.

All types of social capital that have been discussed so far were developed through social networks which are based on familiarity existing between two or more persons through either professional or personal life. However, relevant social capital may develop without existing familiarity as well: two completely unknown people may develop a close relationship on the spot because they share special sentiment for or have trust in some third party. The experience of S. Sivakumar, founder of Datainformatics Pvt. Ltd., is illustrative of this. He said that when he and his partners were running around looking for business, they visited an organization. While talking to the person concerned, who was completely unknown to them, it came out that all of them were from the same college. That person was really happy to know that some students from his own college were trying to do something on their own. Therefore,
he felt that he should do something for them in order to encourage their initiative. The work was small, but it was a good encouragement for them. In this way alma mater can facilitate formation of social capital.

Another form of reference was visible in the case of Kirti Harlalka, founder of Knowhow. In her case, this reference led her to start her business. She said,

Actually he [the first client] came through a reference. I had gone somewhere for a [job] interview after I had quit my last job. The person happened to know me. He was actually my neighbour…. And after getting selected I realized that the job required traveling and I didn’t want to travel. So I said that, you know, I would rather be a freelancer, than take up a job which requires traveling. So he … referred this person to me because he got this enquiry from somewhere. So anyway, that was my first project.

5.3.2 ‘Cold Call’

Although initial customers for many businesses, particularly for entrepreneurs with a family background in business, may come from social networks, it need not be so. Rajat Apte, founder of Magnatech Inc., lacked any family background in business. When he entered software service business he had to develop everything on his own. However, according to him, “if you come across as genuine and good intentioned, people will tell you information that you are looking for”. In that context serendipity played an important role. He said,

I started calling around for consulting assignments. Ended up talking to a company. They told me to get to the right people in the company. They were nice enough to tell me who the right people were. Eventually ended up talking to the CIO of that company and he repeatedly told me that he had nothing for me … but I kept persisting until he gave me a 15-minute meeting. So I went and met him for 15 minutes and he told me point blank, look the only reason I am talking to you [is] … you [are] quite persistent and as I said…. I don’t have anything within my organization. However, there is a separate organization, which is sister company of ours and here is the person’s name. They are doing this large project. They may need … your help … that’s the way I got introduced to this other organization…. They talked to me and said if you can help us in these areas then we will be happy to have you do some work for us…. Based on my limited skills but my, I would say, reasonably good persuasive powers I got a contract from them.

When it comes to cold-call, an entrepreneur would seek to identify organizations whose nature of operation makes them depend on services offered by the entrepreneur. Hitesh Patel, founder of Knowledge Software Pvt. Ltd., developed a knowledge management software which could be used for building an individual’s word power. When he started looking for customers for this software product he got a
news/literary magazine, which had a section on building word power, as customer. He said,

… we told them that look you don’t have an electronic format. We have an electronic format which will help your readers improve their vocabulary … we put this collection together where we classified them by age groups. Words by age groups, words by subjects. Because dictionaries don’t generally do that. So we showed them the benefit of bringing these products to their customers. And well they were convinced and they placed an order for x number of CDs and we supplied the CDs and then they shipped out the CDs to their customers … I reached out to … [this magazine] … in the USA … in, I think in Singapore and Hong Kong and … in India. And India responded first and we have been doing decent amount of work since then.

James John, founder of Spaceage.com, adopted a strategy which he jokingly calls ‘cold walk’ instead of ‘cold call’. He decided to look for prospective customer company’s name plate when he would walk on the road. If he saw the name plate of a company which may become his prospective customer he would walk into their office. However, he admitted that not all companies would permit that. He got his first customer through one such ‘cold walk’. He said that, one day, while walking on the road, he saw the name plate of one such company and walked into their office. They liked the product idea, but those people could not take a decision then and there. When he went back later on they showed their interest and became his customer.

Another way of getting initial customers without reference is by applying in response to an advertisement about a contract. Rupa Datta, founder of Infonet Pvt. Ltd., said,

somebody told me that there was this contract going live. And I just called them up. They asked me to come. Actually didn’t get selected in the first round. In the second round I think something happened with the people they had selected and they said okay lets try the second rank of people. And we sent them some samples and we got the deal!

Anil Despande, founder of Tech Writers Inc., had used a similar technique in finding customers. When asked about the procedure through which he identified the clients in the initial stages, he said,

I would directly go to that company tell that receptionist that I am so and so. I want to talk to the sales manager or I want to talk to the R&D Manager. And she would say in what context? So I would tell her I [can prepare] the manuals of your company’s products. And she will say then, “no, you will have to take an appointment and come back.”. So [I would say] okay, give me the number of that person. I will call him, and I will take an appointment and I will come back. And I must have contacted a few hundred companies. If I am not wrong, we must have contacted more than two thousand companies.
It is never the case that an entrepreneur would depend completely on reference at the cost of cold-call or vice versa. Entrepreneurs keep attempting to get customers through different avenues. However, different kinds of relationships brings customers in different context. Often it is difficult to distinguish between cold-call-based and reference-based business relationship. When I asked Ajay Aggarwal, founder of Netware Pvt. Ltd., how he got his first customer, he said, “it was ... marketing call directly and then what helped a little bit was I knew the person ... who is the ... son of the owner. Because he used to stay in the building behind where I used to stay previously. So ... [we] had made a presentation ... And then having known each other helped convert that.”

5.3.3 Mass marketing: Importance of Serendipity

As it has already been mentioned, the role of mass media becomes important in getting customers when an entrepreneur is trying to launch a business offering which is new in the market. Given the financial constraints that start-up companies face, Internet-based advertising or maintaining a company website in the Internet emerges as viable option. Often initial customers came through Internet. Vishnu Krishnaswamy, founder of Techvision, got his first customer who contacted him by perusing the information provided in his company website. However, entrepreneurs have to bank upon a combination of multiple channels. Even though Mangalam Srinivas, founder of Global Technologies Pvt. Ltd. used his old contacts, he depended on the marketing channels which he had set up. This included setting up offices in the USA as well as UK, which his company identified as potential markets. At the same time, his company also appointed associates in the Asian region, who would function as marketing channels.

Exhibitions quite often function as a channel for establishing acquaintances which may lead to business development. This was the experience of K. Padmakumar, founder of Frontech Ltd. His company developed a database application during the late 1980s. However, he hardly could find any customer for that application in India. Then he went to the USA, stayed there for four months, and searched for customers there. During his stay, he attended launch of AS400 by IBM in Chicago. It is in that exhibition that he met a person who later purchased his product. To put in his words,

So in the exhibition we used to talk to everybody and all that and the brown faces were very rare. So everybody used to be attracted ... So then in the process ... [I] just happen to meet
one guy who was a running a small show of ten people and then he got to know I am building product. Then he said why don’t I [demonstrate my database application?]…. Then I don’t have any machine. I had only all the floppy disk with me and we had to go and work two nights to make it work in the machine. Then he said yes, can I use this. Then he marked … what he wants to integrate. Then we sat about three/four days and gave it time. [Later on he bought that database application]

Although for conceptual purpose the channels for accessing customers have been categorized into reference, cold-call and mass marketing, discussion in the preceding section has made it clear that in reality these boundaries often get blurred. While entrepreneurs utilized different means for getting initial customers, social capital in the form of references often turned out to be indispensable. The way in which entrepreneurs utilized social networks to secure their initial customers depended completely on the social network-based resources accessible to them. Availability of such resources depended on the social as well as professional background of the entrepreneurs and their network partners. However, in terms of strategies adopted by entrepreneurs in securing initial customers, no difference was visible among entrepreneurs in terms of their backgrounds.

5.4 Retention of Customers

Strategies that entrepreneurs adopt for getting customers are quite different from the strategies that they adopt for retaining them. Getting customers has a lot to do with the ability of the entrepreneurs and/or their representatives to convince people to become customers, whereas, customer retention depends largely on the capability of the entrepreneurs and/or their organizations to satisfy the customers. Customer retention is extremely important for maintaining the revenue flow of the enterprise. Besides, it has a close bearing on the ability of the organization to build reputation in the market and thereby attract more people to become customers. Rupa Datta, founder of Infonet Pvt. Ltd., said that her existing customers even helped her finding a financial investor.

Retention takes different meanings in different organizations. For a large number of organizations, retention implies that customers continue to regularly pay for using the product or the service which they offer. For a small number of organizations (primarily organizations that sell products requiring little or no support from the producer) retention would imply that the customers continue to use the
product after purchasing it. In the latter case, customers pay a one-time fee in the beginning and no fee thereafter, but can continue to use if for life.

5.4.1 Customer Retention and Reputation

The ability of an entrepreneur to retain a customer would depend to a large extent on the level of satisfaction of the customer, which is contingent on the quality of the business offering. The reputation of an entrepreneur is largely dependent on the level of this satisfaction. This was clear from the statement of Ullas Gowda, founder of Knowledge Solutions Pvt. Ltd.:

I don’t think I have retained some of the customers of the initial years. Because we were qualitatively very bad in the … service that we were delivering … [Now we provide customers with] very creative, innovative solutions…. The customers come back to us because of that. The customers tell us that oh difficult job give it to Ullas, give it to Knowledge Solutions Pvt. Ltd. So, you know, that’s great.

There are many techniques that entrepreneurs use in understanding how satisfied a customer is. Raj Modi, founder of Softech and Raj Software and Communications, said he uses different indicators to understand this phenomenon. He said,

See first of all if I get my cheque for AMC [Annual Maintenance Contract] that means my service is okay. And if I am able to sell two more product through that client that means my product is okay. That’s my simple logic. One is to satisfy someone and another is he is so satisfied that he will recommend it some others.

Customer’s ability to trust the quality of business offering is extremely important in formation of reputation. In case of a service-driven company this, to a large extent, depends upon the quality of human resource who works for a client. Considering the high level of attrition that characterizes the ICT and ITES industry, maintaining the quality of manpower is quite a challenge for the entrepreneur. At the same time, this is a problem for the client as well. As the employees in service provider’s organization keep changing, the clients would not be able to get the same person with whose work they were satisfied. Therefore, there is need for the client to depend on entrepreneur to certify an employee as capable of fulfilling the client’s requirement. Making a valid judgement is vital for the entrepreneur. This is because if the customers find those employees to be useful, they would trust the entrepreneur’s judgement and they would remain with the entrepreneur.

Anil Despande, founder of Tech Writers Inc., sends technical writers to work onsite at his client’s office. He experienced the importance of trust in running this
business. He recalled that once an old customer came back to him after a gap of two and a half years:

he [the customer] said I have requirement and I want you to send your writer from Monday. I said that Sir would you like to talk to the writer, and see the candidate, see him, interview him and so on and so forth. He said I am not interested. As long as you or your colleague gives me a guarantee that my work will be done, I don’t bother. Because last time you had sent a person who you told is capable of doing the job and it turned out that he was capable of doing the job … So I am going to rely on your word. You say this person is capable of doing it, so be it. That person also went, successfully completed. That company, even now is our client.

Punctuality, which is important for all industries, has a special significance in ICT industries. For most of the clients, ICT is an infrastructure that they require for building their business. Therefore, growth of the client’s business depends on completion and operation of the ICT project on time. The ability to complete the project punctually helps in building the reputation of a company. Anil Despande, founder of Tech Writers Inc., recounts:

One client here in Pune. I had taken his project and I had told him that on so and so date Saturday morning 11’O clock your work will be finished…. I walked inside his cabin and told him it is still 15 minutes to 11 or whatever and here is your document. And he was so happy he said I have met so many suppliers, I worked with so many people, but I have not seen people who are so punctual and who have made their quality standards, on time. These are people who give our references.

Customer retention takes a different character when it comes to software product companies. Amit Sharma, founder of Sindh Infotech Pvt. Ltd., offers a ERP (Enterprise Resource Planning) software product for the export industry. He said, that unlike software services, where the entrepreneurs hope for the customer to come back to them, in the case of software product the company walks out of the client’s office after installing the software. The only form of contract that remains with the customers in case of software product companies is in the form of annual maintenance contract or some support contract. However, what remains important here is that the customer should continue to use that product satisfactorily. That helps in building and maintaining the company’s reputation.

However, in case of software products developed by Techvision, founded by Vishnu Krishnaswamy, regular support would be required. Here, the reputation of the organization, which is needed for retaining the customers, also depends upon the quality of the support. Vishnu Krishnaswamy said, “But again, we always go the extra mile to make sure they are up and running all the time. We are talking to them
periodically”. Even if there is no need for support, maintaining relationship with customers may still be important for a software product company in case they produce multiple products. According to Vinay Reddy, founder of Software Consultants Pvt. Ltd., customer may require some other software product in future. Kunal Raman, founder of Sharp Technologies Pvt. Ltd., said that, this is valid for any kind of product company, not necessarily software. Customers would consider continuing their relationship with a company whose one product they have found trustworthy. This opinion was also endorsed by Mangalam Srinivas, founder of Global Technologies Pvt. Ltd., a software product company. He said,

The reason is that many a time the technology that you are developing undergoes phases of upgrade. You might introduce a technology for three/four years or two/three years. Then it could change. And if your customers are confident of your roadmap they are going to stay with you for their next product also.

Knowledge Software Pvt. Ltd. produces various knowledge management softwares for end users. Though this company would broadly come under business-to-customer (B2C) category, it has little contact with the end users. Instead, it tries to reach the end users through various other organizations which have their own channels of mass marketing. For example, a computer-selling company purchased many licenses of one of their software products for providing it to their customers as a part of bundled softwares. Similarly, a popular magazine also purchased many licenses of one of their software products in order to add value of their magazine for their customers.

According to Hitesh Patel, founder of Knowledge Software Pvt. Ltd., here retention of customer means whether those organizations like the computer-selling company or the magazine come back to his company for buying more licenses or not. He mentioned that the computer-selling company did come back to them for buying more licenses. When asked about the reason for such customer retention he said, “Number one, our strong point is that we are unique. Number two, is we have given them no cause for complain. The product is very stable. Number three, we continue to give them new versions. So there is continuous development. So they continue to see the benefit of associating.”

5.4.2 Relationship and Customer Retention

It is true that, at the end of the day, the possibility of retaining a customer is decided by the organization’s ability to cater to customer’s requirement. But
relationships play an important role in the background. It is in this context that trust is vital in customer retention. Rajat Apte, founder of Magnatech Inc., observes,

Trust is a very important thing in the industry. If people can trust you, if people can like you, they will do business with you… [A match between] what you say and then what you deliver is very important. If you are not able to deliver, its important that you pick up the phone in good times and bad times and tell people whether the things are happening well or tell people whether things are going wrong. That’s trust! I should be able to call up my customer and say you know I have told before you hear from anybody else I must tell you we have screwed up. Here are the consequences of that and I want to talk to you about that. People respect that … here are what we are doing trying to fix those things. So that’s what helps you sustain.

Similar observation was made by Vinay Reddy, founder of Software Consultants Pvt. Ltd., as well.

In the initial phase, when a company is yet to become a brand, the name of the company is not sufficient to attract customers. In this context, personal relationships play an important role in getting customers. However, it is not that such relationship will always be developed by the entrepreneur. It may be developed by employees as well. Permitting the employees to grow relationships is necessary for expanding the company, as otherwise the company becomes a one-person show. However, in the case of an employee-developed relationship, if there is no connection between that customer and the enterprise, there is a chance of losing the customer if that particular employee leaves the organization. Ajay Aggarwal, founder of Netware Pvt. Ltd., faced this crisis in the initial phase. One of his employees, while leaving, took away two of his customers. Thereafter, he decided to meet each of the customers personally:

So then I made it a policy that however big or small each of my clients should know me and I should know them. So they know who is behind the company and in case the person leaves continuity is not lost. Someone can not take away my customers from me … He knew me I knew him. So that helped us maintaining that bridge.

Flexibility in approach plays a very important role in retaining a customer, particularly in the case of a service-based company. It helps in building goodwill. ‘Personal touch’ is important even in formal business transactions. Flexibility can take different meanings in different contexts. According to Ajay Aggarwal, founder of Netware Pvt. Ltd.,

in any service driven company there is always going to be a chance where you may miss out on something giving the customer a chance to complain and secondarily there can be instances where you have to take that extra-step forward or extend that extra may be credit limit or
service to the customer so that when you slip you do not really suffer … very badly … so it was a flexible approach which we had, an open approach. Then we took the customer also not just on professional basis but extended that as an informal level also. So that helped us have that relationship whereby comfort level was driven. So even we had at times customers telling us that your competitor is offering us at this rate and we had doubt. As you know we had the comfort level of telling him why don’t you go and try his service. Okay, he is there today, and how long have we been giving you service and you see how many have come and gone, in that mean time. And we are still there. So that customer would buy that. So you stick to [the existing relationship] although the next person is offering you something much cheaper than your.

Being customer-centric is an important requirement for retaining customers. Rajat Apte, founder of Magnatech Inc. said that even today he spends fifty per cent of his time with the customers. Being customer-centric is often understood as sharing customer’s problem as one’s own and, therefore, going out of the way to take care of that problem. Going out of the way helps in building goodwill with the customer. Such goodwill often helps in retaining the customers even when for a temporary period an entrepreneur is unable to meet the requirement of the customers. According to Akhtar Hussain, founder of Communication Networks,

… when I started my career in IT services it was primarily in hardware. [Clients] were using a software which was basically for the back office functions. The software was running on UNIX and it had its own nuances and its own issues involving that. Now … they had a tough time getting it resolved … they had a very tough time contacting that software vendor and even for small issues then they have to keep trying to contact them. So we tried to get that knowledge about the software…. and resolve all these small problems, which the software vendor was not able to cater very promptly.

Chandan Sivaram, founder of Soft Solutions Pvt. Ltd. also believed in similar kind of customer-centric strategies. According to him, if an entrepreneur adopts such strategy, customers may show patience when the entrepreneur is going through troubles like employee attrition. Ranjan Raghavan, founder of Bangalore Technologies, also agreed with this. But he said,

if you build a reputation … I think that would earn the goodwill … in cases where … you had some setbacks and stuff like that I think the good past will certainly give you a little bit of latitude. But I think you will run out of that eventually, unless you buckle up in and then get back on track.

This was also supported by Naresh Ponnaiah, founder of Sunshine Technologies Ltd. when he said,
... when projects go into trouble your final [strategy] is to invoke the relationship. I think that’s more like a reserve. You shouldn’t be using all the time. It’s a very precious thing and you need to use it absolutely only when it is needed. And because its the most expensive option and once you have used it you do not have anything else to fall back on. Because that’s your last resort. So I think we tend not to use it most of the time and we tend to be more of the opinion that we will accept our mistakes rather than use the relationship or something like it and cover it up.

K. Padmakumar, founder of Frontech Ltd., disagreed with the possibility of benefiting through existing relationships during the bad phases of business: “When you are falling nobody is there to help you. So the customer is not going to give you mercy at all because he is paying money”. The experience of Dinesh Marwari, founder of Ryze Softech Pvt. Ltd. supports this argument:

... [With] the first client we had we completely screwed up. It was our fault. It was not at all the client’s fault. I mean, he was supporting us in whatever way he could. But, you know, at the end of the day you may be introduced through the chairman of the company and you can get the client, but you have to also prove your worth. So in a few cases we were not able to prove our worth and we got chucked out.

Being in the same field (ICT infrastructure management), the experiences of Akhtar Hussain, founder of Communication Networks, and Arjun Desai, founder of Win Infotech Ltd., were more or less the same, though they were located in two different cities: the former in Mumbai and the latter in Bangalore. Both of them emphasized the importance of maintaining relationship with customers in developing goodwill. For developing goodwill, often the entrepreneur is required to go out of the way to take care of the requirements of the customers. This, in the case of Arjun Desai, may mean solving the problems of client’s home computer systems, though that is not part of the formal contract. This may also mean serving the client late in the evening or even at midnight in case of emergency. All this, in the words of Arjun Desai, is ‘relationship management’.

According to Arjun Desai, various out of the way services which he offers for his clients have helped in building a relationship of trust which, in turn, helps him in retaining the customers. His account of the old business relationships that his company Win Infotech Ltd. has is a testimony to the importance of goodwill and trust in retaining customers:

And they are almost ten years old now.... Very old relationships. And we know these people who are in-charge of the information technology department from those years … when you are seeing them every month on month, you become very personally close to them.... So
mainly relationship go bad if trust goes out of control if there is a huge problem at the customer’s side … then that becomes a very traumatic situation for the customer. If that kind of scenario comes in, you know, it has come in, not that it has not come in, one it has not come so often but whenever it has come at all levels we have gone and we have personally seen that those issues are resolved and we apologized. We have shown a lot of care.

Ahead Technologies Pvt. Ltd., founded by Jayant Srinivas, takes up projects on e-governance from various governmental agencies. Jayant Srinivas also experienced the importance of long-term relations in building trust and, thereby, in retaining customers. According to him, many of the governmental functionaries he deals with are averse to risk and, therefore, prefer to utilize the services of people about whose ability they are familiar through past association.

Being customer-centric does not only mean offering out of the way service, but it also means responding to customers’ call for support. Pankaj Sen, founder of Advanced Software Systems Pvt. Ltd., said,

Suppose a customer calls me … I am not available at that time, [but] I don’t call back. Or they have a problem, I don’t go there or I don’t send my people. Okay? So even if the quality is very high they are they don’t have a good feeling about us. So it is not only the quality of the product, it is quality of the service. Okay? And service does not mean what I am delivering product or technicality. It is about the relationship, it is about the behaviour, it is about the attitude, it is about maintaining time, maintaining deliverables, schedule, budget, many things.

Business relationships, just like personal relationships, depend on the people who are involved in the relationship. It takes time to build a relationship. Therefore, if people involved in a relationship keep changing, because of the high level of attrition in an organization the relationship does not get the opportunity to get strong. Therefore, keeping the level of attrition low would help in strengthening a relationship which may ensure customer retention. This was the experience of Arjun Desai, founder of Win Infotech Ltd. He said, “One of the key factors [in favour of our organization] is we have very low attrition rate. So customer doesn’t see new faces every time. So this is the same face, same team leads, the same managers, the same directors and we keep on serving them well.”

The impact of low level of employee attrition in an organization on its ability to retain customers was also pointed out by Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd. Kirti Harlalka founder of Knowhow came up with a related thought. She said,

… one decisive factor is that since we are a very small organization I am the person who approaches the organization, introduces it, gets the business, executes it, gives the updates – so
I am the one point contact for everything. I think that is the very big factor as to why they like to deal with us. However, such factors become functional in retaining customers only when the quality of business offering is dependable. Gautam Apte said, “we gave our customers the importance they needed…. Because we realized if we are not spending on sales-marketing our customer is our brand ambassador. So lets execute well, lets keep the customer happy, lets retain the customer and this customer will give us more customer.”

Customer retention implies the same organization remaining as a customer. However, many a time relationship develops not between organizations but between individuals in organizations. Therefore, even if individuals move into other organizations the relationship may continue and that would also be considered as customer retention from the point of view of the entrepreneurs. This came out clearly from the experience of Alok Dutta, founder of Silicon Networks Pvt. Ltd. He said, … we are not people who have left a client. He has gone somewhere else and given us business. So it is individuals in those clients also. So naturally we follow the trail wherever they are and if we have serviced them once well in one organization, the chances are they may give something else in some other organization … it’s a relationship with individuals in the organizations also. Its not just organization to organization.

Despite all effort, customers may still leave an entrepreneur due to other reasons. Naveen Jayakumar, founder of Datamagic Pvt. Ltd., said that, in a fast changing industry like ICT, technological changes may make an entrepreneur’s reputation or relationship redundant. If entrepreneurs are not upgrading in terms of technology, many clients may outgrow them. In that case, even though personal relationships continue to exist they will not be useful in any way for business. Whereas, social capital in the form of relationships is the foundation for an entrepreneur’s ability to secure initial customers, it is just a facilitator when it comes to retaining those customers. With reference to customer retention, reputation emerging out of the quality of an entrepreneur’s business offerings plays the most important role.

5.5 Getting Subsequent Customers

During the inception of a business initiative, entrepreneurs use their educational qualification, work experience, and their acquaintances to build
confidence in the mind of initial prospective customers. However, once they have got a few customers, the situation changes. Besides the existing channels of sourcing customers, one new channel develops, namely getting customers through existing satisfied customers. On the one hand, satisfaction of customers increases the reputation of the entrepreneur’s business offering and this increases entrepreneur’s referenceability. The quality of business offering, plays no doubt, a more important role in building reputation, but the importance of relationships can not be ignored. When asked about the importance of relationships at a later stage in business, S. Ram, founder of Integrated Software Solutions, said, “Definitely as you grow, to scale you will need a whole lot of organizational processes and structures and so on. But still the personal comfort level you can not substitute that with anything else. [But at the same time,] your personal relationships will have some limitation. Of course you have to expand that personal network. You have to [see that] they still play a part. But that is backed by a strong institutional effort actually. So you must have good websites and so on.” Similarly, Kirti Harlalka, founder of Knowhow, who is in the initial stage of her business, said that in order to get business she registered her curriculum vitae in various relevant websites. Amit Sharma, founder of Sindh Infotech Pvt. Ltd., said,

When you are new to the business then the customer reference is very critical. As you get established and you have numerous customers, you get known ... But then after you have done it for say ten or twelve they will not ask you have you done it for anyone. Then the question is straightaway we have done it for all of these. And if you want to see it work come and see us. Then we work closely with say [reputed software companies]. So [those companies themselves are] a reference.

O.P. Nayar, founder of Accent Tech Solutions, also emphasized the limitation of relationships in business in the long run. He said,

... may be [I got the] first five customer because they knew me. But then the next five customers may not be because they knew me. It is because they knew the company through somebody else; may be my first five customers told them yeah here there is a company. So those kinds of things. So in our case the first customer was not that very difficult to come by. But then it was a small business at that time. But as you [keep] growing then attracting new customer can only be coming because of the quality of your company. No more you know, it is quality of your relationship. Relationship will work for few customers. But beyond that it is all about what you know. It is not about who you know. So that is all about what you know in the business. So then relation will not take you to build a big business.

However, it should not be construed from such arguments that relationships do not play any role in getting customers at the later stage. Rather, the nature of relationship
required for business develops out of business reputation rather than personal relationships. Sudha Sharma, founder of Design Lab, recalled one such incidence: “we did his [initial customer’s] website and another company MD had come to visit him or whatsoever on work and he saw his website. Instantly he gave me a call from his office saying that I would like to meet you and ask you to do my website.”

Although serendipity plays an important role in the initial stages of business in making inroads into a particular industry, an entrepreneur’s sustenance in that industry would depend upon her/his ability to perform in that industry. It is in this context, an entrepreneur’s performance with initial customers becomes important. This was clear from the experience of Akhtar Hussain, founder of Communication Networks, who is into IT hardware infrastructure management said:


when initially I was giving service to him [first client in the stock-broking industry], my service criteria was different in the sense that I was trying to get involved in his, you know, in other issues related to software and other things. So that gave me more knowledge about how the stock-broking industry is performing. I came to know lot of other aspects related to their office functioning. So that’s the reason I was able to get more customers related to the stock-broking industry. Because here what happens, you have to understand their language basically, what they speak.

Alok Dutta, founder of Silicon Networks Pvt. Ltd., also had a similar experience. He said getting initial customers had to do more with cost-cutting than his expertise. However, at the same time he needed to prove that low cost was not the only reason for which people should become his customers. It was necessary to establish that he is equal, if not better in performance than his competitors located in the USA.

Diversification is common strategy for expansion of business activities. Diversification may imply entering a new target industry or developing business in a new geographical region. In the initial stages of diversification the challenges that entrepreneurs go through are similar to those which they have to face during the inception of business. Therefore, relationships could play an important role in initiating business diversification as well. This is clear from the experience of Ajay Aggarwal, founder of Netware Pvt. Ltd., when he started his business in the USA. He said,


When you doing overseas work there is risk at both the ends, that is, you are at a risk of payments, [and] the company which is giving you the contract is at the risk that if that company does not deliver who is there to feel and touch. So they are comfortable if there is someone representative of that company in the US or in their state … someone known who is
saying that yes … he will vouch for you. So I had my uncle there who helped me get this deed. But obviously after that deed if your service quality is not there you are not going to be able to retain that customer … we have been able to establish ourselves, again get the confidence of few set customer who have been very proactive in promoting us within their contact group. If there’s a requirement they are very ready and willing to recommend us that this is a company and this is a person you can go to and your work will be done. And actually that is what has driven our business in the last three/four years. We don’t have any sales agent.

Ability of a company to satisfy its existing customers and thereby retain them increases its referenceability and chance of getting more customers in future. As Rajat Apte of Magnatech Inc. mentions,

… if you have a reasonable proposition you can get customers. The harder part is to keep those customers and even harder to get more customers. Because once you are out in the market for better or for worse you have a reputation. If you build a good reputation you can keep customers and can get more customers.

This was also clear from the observation of Ajay Aggarwal, founder of Netware Pvt. Ltd.: “Existing customers is the network we have used to the potential and maximized. Because most of the business is driven through [the existing customers] right now, which is actually very good, that means, our customers are happy with us always enough to recommend us to the next person that they feel that yes we are going to deliver.” This was also true for Vishnu Krishnaswamy, founder of Techvision, Mangalam Srinivas, founder of Global Technologies Pvt. Ltd., and Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd. Gautam Apte said, “We have never advertised, we have never promoted ourselves, not single email campaign, nothing! Everything is in words of mouth. These are people that I knew. We did business with them, they got happy, they referred us to other. That’s how our business has grown.”

In order to get a customer it is important to prove oneself as reliable. In dealing with start-up companies, prospective customers would be interested in understanding such reliability of a business offering by listening to the entrepreneur or to their social networks. However, even at the initial stage, and definitely at later stages, prospective customers are more interested in finding out whether anyone known to them has utilized this product/service and what has been her/his response. Prospective customers try to find out this by asking “Do we have any relationship?” This means “Have you worked for our organization earlier?”
Different entrepreneurs address this question differently. Anil Despande of Tech Writers Inc. started a three-day training course on technical writing. Many people from reputed companies pursued that course. When he approaches these companies for getting any business, he uses the names of those employees, whom he has trained, to prove that he already has a relationship with that company. The company then would check up his trustworthiness with those employees. According to Anil Despande, such reference works because,

Insider’s reference is far more important … So the companies see that fine, we have already trusted him. He is an approved vendor. So even for two days work I became an approved vendor. Tomorrow two years assignment comes. They are going to come back to me for sure. Whether I get the work or not will depend on so many other things. But they will come back to me for sure.

In addition to offering a training course on technical writing, Anil Despande also took other initiatives which incidentally helped him in developing confidence in the mind of his later customers. He was the owner of a mailing list in his field for a long time. Association with a wide variety people through this mailing list helped him in building a sense of reliance in the mind of people who were familiar with the mailing list, though many had never met him personally. He recalled one particular incident:

Very recently we got an order from a company … This person had heard about me seven and a half years back. So when I went over there and I started my introduction he said I don’t think the ex-owner of … [such a well-known] Mailing List needs an introduction. He said, I know you and I have been watching your mails for so many years. There is no need to introduce. I already know you. We have decided to give the work to you. Now you tell me how do we work. So these things do happen. They will take a lot long time, lot of time, whole lot of time. And these are the people who give us references.

However, Alok Dutta, founder of Silicon Networks Pvt. Ltd., mentioned some of his experience which contradicts the sweeping importance of reference in getting the later customers. He said,

we cover ourselves with labels [that is, various kinds of certification]. But in my 17 years I have seen very few cases of validating those labels. I mean, once in a while people have escalated to give me the contact address and telephone number. And then when we have given in the contact and they still have not gone and called. So one fellow I know, he actually called. And may be few others I don’t know about it, who might have called, but very few people I notice actually close [the deal].
Arjun Desai, founder of Win Infotech Ltd., mentioned that reference in the form of word of mouth played an important role for him in getting later customers within India. However, it did not play any role when it came to getting international customers. K. Padmakumar, founder of Frontech Ltd., said, “Unless we build relationship and deliver we can not survive in this industry.” However, according to him, such relationships are necessary more for finding out organizations where there is a demand for services being offered by him or the right persons in those organization. However, persons giving such information may not have any social relationship in that organization which would be important enough to get an order from that organization.

5.6 Crisis Management

For Amit Sharma, founder of Sindh Infotech Pvt. Ltd., entry into ICT sector itself was a response to the crisis faced by his family business. Each business goes through phases of stability and crisis. Stability is easy to conceptualize, but crisis may be multi-dimensional. Some of the crises may be unique to an individual organization, for example, the organization’s inability to secure sufficient number of customers. Sometimes, these kinds of crises may be the outcome of broader phenomena like global economic slowdown, crash of ICT industry, etc. In that case, the paucity of customers would not be faced by a single organization. Rather, it would be faced by a large number of organizations in the same industry. Depending on the nature of crisis and that of the organization which is facing it, the way in which the situation can be tackled or managed would differ considerably. This section would seek to highlight the various factors which influence the way in which a crisis is managed. It was interesting to observe how entrepreneurs utilized social capital developed by them through various interpersonal relationships in order to bail their organizations out of situations of crises. However, leaving aside social capital, there were other factors which influenced entrepreneur’s ability to manage crisis.

Often business runs into a crisis as a result of large-scale factors completely external to business. Iraq War in 1990 played such a role for Alok Dutta, founder of Silicon Networks Pvt. Ltd. To manage such a crisis situation, he had to come up with an alternative strategy:
We started marketing early in February 1990. May [1990] we were marketing abroad. And then as it happens the Iraq War! It was a bad thing those days … So Iraq War happened in 1990…. When I was [working as employee] I was [serving an American electronics company]. And I had built up a relationship with them on my own. Okay, so they were willing to give me projects. In fact I had two sources … [there]. And they were starting on early in those days, in India. [19]88 they started…. So they had promised me projects and it was already in the pipeline in 1990 when the Iraq War comes. Everything froze. They accommodated me much later, about six to seven months later … So that went off for a toss … So … *that’s when the association helped….* I started talking to some companies over here in Bombay … So I worked with them. I would say friends actually. They are my business contacts … So its all ground-up. So when I say ground-up that means we had to study the market, and see who is … likely to outsource. Its not so difficult, if you really think about it…. We identified companies who wanted to have chip designing, which is easy. And you have all your Indian intellectual capital [Indian students passed out of universities in the USA and working there in critical positions in various organizations] sitting all over the USA, tap that … But you don’t limit it to that. But that’s obviously one. So that’s one and through them it becomes like a chain. They did help.

Like Gulf War, another widespread phenomenon which affected a large number of organizations in ICT industry, if not all of them, was the rise and fall of ‘dotcom’ companies (popularly referred to as ‘bubble boom’ and ‘bubble burst’). The term ‘dotcom’ is a general expression to imply the various Internet-based businesses that developed during the second half of 1990s, which often had names ending with ‘.com’. This wave of global development of dotcom companies came down sharply during 2001. While this phenomenon of ‘bubble burst’ directly affected the dotcom companies, many other companies, which were in some or other way associated with the dotcom companies, got affected by it. After the crash of software industry in 2001, Alok Dutta, founder of Silicon Networks Pvt. Ltd., had *fallen back on his social network to get some work from the research wing of a large company*. This makes it clear that no entrepreneur would utilize only one procedure for searching customers. Specifically, during situations of crisis, an entrepreneur needs to go all out and try to get clients through multiple channels.

Experience of Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd., was similar. In the initial period, his company was completely dependent on one US company for getting business. That company was the only customer that they had. During the dotcom burst that US company found it difficult to sell its products. So, eventually, they decided to close down. At that point of time, Gautam Apte’s
company was already formed and they had a couple of employees on their payroll. He had no intention of closing down the company’s operations and, therefore, he had to become active in getting new customers. He started looking for new customers through the transnational networks he had developed as a part of his professional career in the USA.

However, such predicaments faced by entrepreneurs were not always an outcome of large-scale economic crises. When Amit Sharma founded Sindh Infotech Pvt. Ltd., his plan was to visit the USA in order to get initial customers. However, at the same time, he had discussions with some managers of a large Indian software company who showed strong interest in offloading some part of their work to Sindh Infotech. The work being substantial Amit Sharma gave up his plan of going to the USA in order to get initial customers. The managers of that company asked Amit Sharma to get a team of freshers who would be trained by them to perform their job. However, the situation became critical in the last moment. According to Amit Sharma,

> when we made all the commitments and investment this software company at the eleventh hour, one day before the training was to start suddenly said that sorry now we have a new CEO and he says no we cannot do this kind of activity and we are not going to do it. And really speaking we didn’t have anything in writing. And infact the managers told us whatever documents we have given you please return to us. Otherwise, we are going to loose our jobs … And so that meant that now we had the investment over here and we had already recruited people including recruiting freshers. So, you know, we felt that we have recruited now about 25/30 juniors/freshers … and we thought that, if we go to these youngsters and tell them that sorry, we are scrapping off our plans then this [being] their first job, what will they think about life? So lets not do it. We will carry it on and we will find other business. And so that is how we started it … Then we went about trying to get us some work and it was very difficult … [We did] cold-calling…. Initially we did it within India. And then we started doing it outside also. And in the in cold calling we came across some opportunities and our first breakthrough came when we got a very big project from a UK company.

The way in which Amit Sharma, founder of Sindh Infotech Pvt. Ltd., managed crises is similar to the way in which Gautam Apte, founder of Innovative Web Solutions Pvt. Ltd., faced the crisis (mentioned in the last paragraph). It would be interesting to note that the crises faced by Gautam Apte was shared by a large number of entrepreneurs, as it was a result of dotcom burst, a wide-scale phenomenon. Whereas, the crisis faced by Amit Sharma was not shared by other entrepreneurs.
Diversification of business activities is one of the strategies that is adopted by the entrepreneurs to reduce business crises. However, the process of diversification varies considerably. Akhtar Hussain, founder of Communication Networks, said that

… as the IT industry went down … we had a downfall, which I was not prepared for. So that was a very slack phase in business. Business not coming in. But again fortunately since we are in services segment, the revenue was coming … We did not make much loss, but the revenue was less. So we were like just meeting up the expenses … We faced two problems. One is, there was a downfall in IT business basically, and second there was huge amount of increase in competition … We were at par with so many people who had just started new business. Because setting up an IT business, at least in the hardware PC market was very easy … So we were not able to compete with [the new players] … We were technically far more qualified than these new entrants. But when the price factor came the customers were considering only about the price factor [new players in order to get market share was providing the same service at a much lower rate] … So we thought, okay why not use our expertise into some other field … So we found a potential in data recovery. And I started data recovery business. This is one thing and second is we had one more business into networking. Like, you know, there were lot of new entrants in PC hardware; but they didn’t have the expertise in [IT] networking … So we started the IT networking business…. Even now we keep on evolving…. Because again new players are coming in there … so we have to be ahead of them. Because there has to be difference between, you know, people who is having technical expertise and people who are new players … So we have learnt from the past experience that we have to keep evolving.

Besides diversification, another way of facing sudden financial crisis was to restructure thrust areas of a business. Alok Dutta, founder of Silicon Networks Pvt. Ltd., started his career as an entrepreneur in the semiconductor industry. Later on, he diversified into the software industry. He said that after the burst of dotcom industry “we migrated [back] to semiconductor. We ran to cover ourselves in semiconductor. In one fine morning we just decided. April 2001 we realized. By June 2001 we were semiconductor company. We stopped the label of software.” The experience was similar for Arjun Desai, founder of Win Infotech Ltd. His company was involved in business process outsourcing (BPO), software development, and ICT infrastructure management. He said,

I think the turning point that came up was in 2001 after September 11. By then we were about 260 people. But unfortunately post September 11 three of our customers in the US closed down. So it was a very tough time. It was a question of survival [for the BPO segment] … Almost 70 per cent of the revenue came from the BPO segment. So it was very challenging to let go off people, brought down the size from 260 to about 60 within a period of say six months or eight months. Now we are 150 people … what we did was we consolidated we
closed down our software division and educational services division. Just focused on BPO and IT infrastructure management. That really helped. We have so many customers in the IT infrastructure management. That was the bread and butter. That took care of the survival of the company.

Same was true for Dinesh Marwari, founder of Ryze Softech Pvt. Ltd. He began his career as an entrepreneur in business consulting space. However, after failing to serve the first client, he realized that he did not have the appropriate capability and infrastructure for offering service in business consulting. In that situation of crisis he moved to software consulting instead.

In a fast changing high technology-based industry like ICT, entrepreneurs need to continuously update not only their knowledge, but also their business offerings. This was clear while talking to Akhtar Hussain, founder of Communication Networks. He said, “Try to … find out also where the customer is going. Its kind of a shared destiny kind of a relationship. If he is growing, you also grow. [We attempted to try and understand] what are the challenges he is facing, and may be if you can pitch in any way.”

To a large extent, the success of an entrepreneur in retaining customers depends upon the quality of product and/or service offered by her/him. Poor quality of business offering may often lead to customer attrition, giving rise to business crisis. This was the experience of Ullas Gowda, founder of Knowledge Solutions Pvt. Ltd., who offered service in e-learning segment. He said,

I don’t think I have retained … some of the customers in the initial years. Because [during the initial period] we were qualitatively very bad in the kind of service that we were delivering … this was a new thing … So lot of people made mistakes, shabby quality. We also did our share of those things. So then we realized that, we started losing customers.

Ullas Gowda needed to act urgently in order to resolve such a crisis. For this purpose, he needed to develop expertise in core areas of business. He said,

... we had twenty-five people in the year 2001. And ... I would hardly involve in the operation, I would concentrate only on the business part of it. Business development, customer contact, selling and all those things. I would do only those things till, I think, end of 2002. So nearly good 2 years plus I was not hands on at all in terms of all these things – production, processes, efficiency, quality. Nothing I knew ... after 2002 I had decided that I should know what is going on in production processes ... I realized that qualitatively we are very bad. I cannot even show my face to the customer that this is what we have developed and we still ask money for this. So I decided no this is an area where we have to be good at if we want to survive in this business ... And then I bought books, tried this and then I started managing the
individual projects myself … Again, it took me about one, one and a half year and by the end of that, you know, then I could do almost all production works … project management, process improvement, process fine tuning, identifying the correct person for a correct job, by and large. So that has become much better. And very creative, innovative solutions we provide to the customer now. The customers come back to us because of that.

Although entrepreneurs may continue to do business, they are not successful in all situations to wrest themselves out of crisis. For example, Raj Modi, founder of Softech and Raj Software and Communications, has almost given up one part of his business which involves selling an accounting software produced by him. This has happened in the face of the competition he has faced from a similar product produced by another company. Another reason for his business crisis was the widespread software piracy. Controlling piracy was beyond his capability.

The discussion in this chapter has clarified the process of business development in the ICT industry. Experience of the entrepreneurs makes it is obvious that social capital plays an important role in each aspect of business development. It evolves from the discussion that social capital in the context of entrepreneurship in ICT industry primarily implies the resources embedded in interpersonal relationships that entrepreneurs have with their social network partners as well as various relationships in which they are embedded. Although social capital played an important role in all aspects of business development, the level of importance varied across activities. It was observed that getting initial customers is one activity where social capital played the most important role. When it came to other aspects of business, for example, developing business idea, identifying prospective customers, retaining customers, getting later customers, and managing crisis social capital was more of a lubricant. That means, social capital, by itself, was often not sufficient to get the work done. Rather, presence of social capital was found to be necessary for handling situations where other components like worth of business offering played a more important role. Social capital is not only functional within the enterprise; its utility is also visible in the environment in which the enterprise functions. Keeping this in mind, the next chapter would concentrate on the different aspects of this business environment with a specific emphasis on locating the role of social capital in them.