## CHAPTER -10

**SUGGESTIONS / RECOMMENDATIONS**

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CHAPTER – 10
SUGGESTIONS/RECOMMENDATIONS

Based on the research analysis following suggestions’ are identified by the researcher for entrepreneurs, venture capitalist and general suggestions:

10.1 SUGGESTIONS FOR ENTREPRENEURS

1. Entrepreneur must be capable of intense effort over a long period of time. Venture capitalists know that 99 percent of every venture’s success comes from perspiration, not inspiration. They know that if a small business is to succeed, the management team is going to have to work long hours to compensate for the lack of employees at the company.

2. Entrepreneurs should define the problem
They should be clear about the problem they are going to solve. Entrepreneurs should know the size of the problem and the solutions they will be giving in the form of product, process, service. It should be identified that if consumers are resolving the problem in some other way today or not. Entrepreneurs are supposed to give them sustainable differentiator in terms of the solutions.

3. Entrepreneurs should build on the intellectual power to evaluate risk and should know what to do after the evaluation. Every small business twists and turns many times during its life, and the early capability of analyzing situations, evaluation the probability of success, and implementing a plan is important for entrepreneur. Unless they are able to evaluate risk and analyze complex situations, small business usually remain small businesses.
4. High degree of determination is required in entrepreneurs. They all must seem determined to succeed. They should try to accomplish things, and their desire to do so is also to be strong. They must be able to fix on a goal and reach it. Entrepreneurs should exhibit this sense of determination and ability to see a clear win for themselves.

5. Though venture capitalists do a lot of research on their own, but Venture Capitalists don’t have the time to learn about a market place in detail. For this reason, Venture Capitalists want to know above all that the entrepreneur has a thorough knowledge of the market place. It is common knowledge that an individual needs at least five years to understand an industry. No one wants to finance on-the-job training for an entrepreneur.

6. Economic, demographic, socio-cultural, technological, and regulatory or natural trends to be identified that will affect market, and also to identify the quantum of effect. Whether the effect is favorable or not? As a result of that entrepreneur must be clear how are they going to give solutions in the form of products, goods and services.

7. Venture capitalists expect high rewards of the investment they are going to make. Entrepreneurs must calculate minimum return which Venture Capitalist can make in any proposal. Entrepreneurs must calculate the return on investment for venture capital will validated research.

8. Usually it takes more than one person to make a venture capitalist go investigate the number-two and number-three people in the firm. Entrepreneur must Find out if any problems are brewing and Review the experiences of the management team to see how they fit together. If they have a diversity that will let them handle a multitude of problems managing them and making sure that they work together and solve the team problem if there is constant bickering and conflict. Team scalability is something Venture Capitalist do a lot of research on. some of them are as follows:
• team competency
• the right experience between them
• right chemistry
• comfortable environment

9. Venture Capitalist want to make sure that entrepreneur is honest and straightforward. If they invest in a dishonest entrepreneur, somewhere along the way they will pay for it; the entrepreneur, somewhere along the way investor.

10. It is also important for entrepreneur to identify the differentiating factors and sustainable advantage while presenting the business plan.

11. Entrepreneurs must carry an inordinate amount of detail around in their minds and be able to use it all to the best advantage of the company. Details about numbers as well as the situation will need quick reactions and an individual with the ability to do it. Without this attention to detail and knowledge of specifics, most small businesses can’t grow.

12. It is important to accept suggestion and analyses if it is fruitful to the entrepreneurs and will help to scale the business. These criticisms always help them to evaluate the opportunity.

13. Every Venture Capitalist is looking for a leader for the company. Any time a Venture Capitalist backs an entrepreneur without leadership; the Venture Capitalist has inevitably had trouble and has had to replace the entrepreneur. Therefore, Venture Capitalists look for entrepreneurs who have been in leadership positions in the past and who have demonstrated their abilities conclusively. Without leadership the company is probably not going to go anywhere.
14. Entrepreneurs must see that what kind of powers buyers have to set terms and conditions. Entrepreneurs prefer weak buyer power. Reach to the market is very important. Information about consumers like number of consumers, usage occasion, target market etc

15. Most entrepreneurs have good social skills and are adept at persuading and conversing with people. One can spot these skills in conversations with the entrepreneur. If the entrepreneur is able to explain the business proposal in a simple style, this will be an outward manifestation of self-confidence and social persuasiveness. If the entrepreneur seems to have an outgoing personality and good presence, this, too, will indicate great self-confidence.

16. Venture Capitalists need an entrepreneur who can articulate an idea. Many people have tremendous minds but lack the ability to explain their thoughts to the outside world. Without an accurate and convincing voice, most small businesses will fail. In the early years, an entrepreneur used to persuade vendors to give the small business credit, persuade banks to make loans to the business, persuade employees to work long hours, and persuade government authorities to stay off them. It is this verbal ability that sets most entrepreneurs and who lacks the ability to persuade, probably ends up making a mistake by investing in a business run by him or her.

17. Compatible personalities may not be at the top of anyone’s list, but entrepreneurs are not financed unless they are compatible with their venture capital source. It is indeed like a marriage. Most people don’t get married unless they like each other. Venture Capitalists don’t “marry” entrepreneurs unless they like them. Even if an entrepreneur is capable of meeting many of problems in a situation, a Venture Capitalist will not invest unless the Venture Capitalist can stand “living with” the personality of the entrepreneur.
Along with market knowledge, Venture Capitalists would like to track people who have a track record, especially a track record relevant to the situation. E.g. Ten years ago, Venture Capitalist were about to back an entrepreneur who wanted to buy a business that was a “turnaround”. The individual seemed to have the proper background, in that the entrepreneur had turned around several businesses and made a substantial profit for the investors. The difficulty was that the entrepreneur had not been involved in a turnaround in this particular industry. Therefore, Venture Capitalist felt that they should not invest. The tracks investigate time and time again. The Venture Capitalist will look for achievements in the individual’s background and for achievements in the specific industry in which the Venture Capitalist is about to invest. This is a key point for every Venture Capitalist.

Entrepreneurs are required to identify if it is a big problem. The bigger the problem, the bigger the opportunity of to create a large company, that's the way venture capitalist see it.

Given the research analysis based on which its found that they consider few parameters as an extremely important and decisive criteria for accepting a proposal, the entrepreneurs need to build on all those criteria strongly and adopt methods or procedures and systems that are sound and efficient for the requirement of their businesses.

It appears contrary to fundamental principle, the Venture Capitalist financing in India have rather been more cautious in its approach as the financing at the seed and the start up stage is generally not favoured. Bulk of Venture Capitalist financing goes to second or later stage investments and that too in few selected sectors. Entrepreneurs must identify those sectors.

All these are assessments; there are no 100% answers. Everything is something venture capitalist is evaluating. Venture capitalist talk to outside experts, but use their own judgment. For these reasons venture
capitalist generally focus on certain sectors because they come from those spaces. Entrepreneurs need to approach the venture capitalist relevant for them in terms of the earlier proposal they have funded.

23. Venture Capitalist would like to maximize the upside potential in any project, they are funding and would like to exit from the project at a time when he can get maximum return on the investment. This is a key concern which entrepreneur should keep in mind before approaching a Venture Capitalist.

24. Venture Capitalist not only look at the figures and data provided but also assumptions behind the figures. Hence entrepreneur should do their homework before giving a proposal for venture capital.

**10.2 SUGGESTION FOR VENTURE CAPITALISTS**

1. Make sure that your entrepreneur is a determined person as per the research analysis urge to grow is rated as essential parameter of entrepreneurial characteristics.

2. Venture capitalist must know what is real - Entrepreneurs rarely fool themselves into accepting bad situations. They know they have a marketing program and a sales job to carry out, and they do it. However, they are not caught up in their own sales hype or their own promotional fever. They know that the real and what is fabricated. As a result, they can get to the bottom of an issue very quickly. Differentiate between entrepreneurs from a dreamer. Dreamers hope a lot. They hope that what they want will happen. There have been studies of intelligent people who make poor decisions these studies have tried to determine why smart people make mistakes.

3. High level of energy in entrepreneurs is strongly supported by most of venture capitalist. Successful entrepreneurs must have a high level of
energy in order to succeed. Being an entrepreneur involves enormous amount of time and energy.

4. Venture capitalist must find the determination of an entrepreneur and the risk that entrepreneurs are willing to take
   - Risk a secure salary and the things that go along with current employment and if yes then for how long?
   - Risk of losing control of the business
   - Put money at risk and how much?
   - Risk home or time with family or loved ones?

4. Evaluate Project for commercially viability. It should make commercial sense and should fill the gap in the market.

5. Venture capitalists should critically evaluate and must analyse to answer following questions:
   - How large is the market entrepreneurs are seeking to serve?
   - In how many ways have entrepreneurs measured it?
   - How fast has it grown over the last one/three/five years?
   - How quickly will it grow in the next six months or two/five/ten years?

6. Vc should focus on whether the project has the ability to enter in to new venture. Diversifying and adding the values as well as new venture to build on the ideas. Innovation whether product or process both are important.

7. The Venture Capitalist firms will have to make conscious effort to make their financing inclusive to all industries rather than remaining confined to some selected industries.
10.3 GENERAL SUGGESTIONS

1. Venture capital financing process require mutual trust and confidence between venture capital firms and the entrepreneurs and obviously any perpetual difference between these two parties would hamper growth of Venture Capitalist funding in India. The best way to minimize the perpetual difference is to organize regular interactions between Venture Capitalist firms and entrepreneurs.

2. All the data provided to the venture capitalist should be reliable and validated as venture capitalist also do lot of research for the numbers in the business plan.

3. The project must be feasible, it must be marketable, it must meet an existing requirement or fill a gap in the market or it must have the potential to create a market.

4. High Level of aspirations are required for entrepreneur for their dream
   - To work for yourself
   - To build something small or something big
   - To do, To manage, To lead
   - To change the world in some way

5. Unique product always give advantage to the entrepreneur proprietary elements - patents, trade secrets and so on-that other firms cannot duplicate or imitate can also make unique product.

6. VC Investment Process – Entrepreneur should do all the required homework before the deal is processed for venture capital funding while no two investment processes are identical, there are some common steps through which most deals move. The process steps are mentioned below:
I. Introduction - At this stage, an executive summary and/or business plan might go to the Venture Capitalist.

II. Venture Capitalist meets the entrepreneur or team. Discusses the business opportunity in detail - sees if the team really understands the key dimensions to the business. At this time the team may have to give a formal presentation.

III. Venture Capitalist performs reference checks on the team and due diligence on the business opportunity, trying to understand the team, company, market and industry better.

IV. Management team meets all the partners at the Venture Capitalist firm. (This can happen earlier or later.)

V. Terms are negotiated - valuation and other financial terms, governance and other control issues, etc. Term Sheet is signed.

VI. Legal, financial and technical due diligence performed.

VII. If all works out, legal documents, including Shareholder Agreements, are drafted.

VIII. Legal documents are signed, and funds transferred from Venture Capitalist fund to company.

**Timing:**

The entire process may take as short as 3 months. But often the initial contact happens well before any deal is concluded, as the Venture Capitalist might be waiting to see how things develop at the company.

7. Venture Capitalist will look for a project that has potential for great returns

8. Project should be feasible and though it may be risky but with a definite chance that it can be successful.
9. Venture Capitalist would like to maximize the upside potential in any project they are funding and would like to exit from the project at a time when he can get maximum return on the investment. This is a key concern which entrepreneur should keep in mind before approaching a Venture Capitalist.

10. Venture Capitalist not only look at the figures and data provided but also assumptions behind the figures. Hence entrepreneur should do their homework before giving a proposal for venture capital.

11. All the data provided to the venture capitalist should be reliable and validated as venture capitalist also do lot of research for the numbers in the business plan.

12. The project must be feasible, it must be marketable, it must meet an existing requirement or fill a gap in the market or it must have the potential to create a market.
10.4 FUTURE SCOPE OF STUDY.

The venture capital management being relatively new phenomenon in India has not been thoroughly researched in the Indian context. While this study has made a modest attempt to fill this research gap but there is a need to thoroughly probe the functioning of venture capital functioning in India and US and do a comparative study so that the drawbacks in India can be identified and removed as this will serve a encouraging factor to entrepreneurs and potential entrepreneurs thus contributing to the economy of India and fostering entrepreneurship.