

Preface

Contextual Background

The *raison d'être* of venture capital is that it supports, nurtures and facilitates innovation and entrepreneurship. It is a unique form of risk capital that encompasses many subjects. Its practitioners need to have an understanding of the innovation processes, entrepreneurs and entrepreneurship, strategy development and implementation, management of business, corporate finance, financial management and law, apart from the domain knowledge of the industry sectors in which they specialise.

Venture capital (VC) in its present form, with special mechanisms and laws to facilitate its growth, is an American creation and came into existence around 1940. In India, the entry of global VC funds in a big way happened only around the turn of this century. This was preceded by rationalisation of laws and the enactment of special regulations from mid-1990s onwards to facilitate and support the flow and investment of overseas VC funds into India. As a result, VC investments into the country grew from a mere USD 100 million in the early 1990s, to about USD 1.1 billion by 2000, and then further to about USD 14 billion by 2008.

With so much VC funding available for investment, Indian business ventures need to be capable, ready and willing to attract this money. Although the need for money exists, I have found that there is a woeful lack of knowledge among entrepreneurs about this form of capital and the process of acquiring it. Even finance consultants tend to treat the exercise of raising venture capital in a manner similar to raising bank loans or project finance, and are thus unable to properly guide entrepreneurs. This book aims to fill this gap and to strengthen the demand side of India's venture capital industry.

Why This Book

I have written this book to provide entrepreneurs the necessary skills, tools and practical knowledge to enable them to successfully traverse the minefield that the VC raising process is. Although written primarily for entrepreneurs, the book would also be helpful for professionals engaged in facilitating venture capital into deserving businesses.

I work as an entrepreneur coach, mentor and advisor. I have been fascinated by the creativity, energy, enthusiasm, drive, and the fleet-footedness of entrepreneurs. I have always enjoyed interacting with them. I find that a lot of their attributes start to rub off on me and energise me immensely.

In 1999-2000, in the heyday of the dot-com frenzy, I founded VentureAhead.com, a portal to provide entrepreneurs a virtual marketplace to both raise venture capital and find strategic partners. I also personally developed online guides on entrepreneurship, venture capital, writing business plans, etc. in order to educate entrepreneurs. VentureAhead.com also pioneered the first-ever survey of investing preferences of the VCs investing in India. The survey was also unique in the sense that it was done completely online, a rarity in those days. I was so impressed with the usefulness, economy and speed of gathering online feedback that I felt a strong need to make this capability available to all fledgling ventures / entrepreneurs for their human resource and marketing research functions. This led me into launching VentureFeedack.com, a “fully-loaded”, very comprehensive online tool which enables users to create, deploy and analyse online surveys and tests.

I mention all this because the first seeds of this book were sown in that period. It became evident over the years that entrepreneurs did not fully understand the concept of venture capital. I found myself spending an inordinate amount of time trying to explain to entrepreneurs the practical facets of raising venture capital and managing VC expectations. Many of them felt cheated when I told them that their dream venture would not meet a VC's requirements and they would thus not get venture funding. Some of them, after taking considerable amount of my time in understanding the process, felt they could do without any professional help. Needless to add, most of this lot went back to their jobs when their ventures failed due to paucity of funds. Most of them also felt

extremely insecure about limits on their decision making after the arrival of a VC in their venture. All of them, without exception, fretted about their shareholding being reduced over time to, maybe, a minority. I have used this experience and the resultant insights to address in this book such concerns and mental blocks of entrepreneurs which inhibit them from getting venture funding.

Thanks Are Due to . . .

Authoring a book has three distinct levels. The first is the inspirational level. Why some people seek to write books while others don't has to do with the inner dynamics of an individual, his or her psychological make-up, background and experiences. There is bit of a teacher and a counselor in every author. There also has to be the overpowering need to express oneself and communicate one's thoughts, feelings and conclusions from one's experiences. Even if one possesses these basic ingredients, one would still need someone or something to propel one into writing a book. That inspiration for me has been my late father who was an economic journalist, editor of a national daily, and co-author of a spiritual book. I am sure he would have been very happy to see me as an author. Somewhere deep down I am aware that I have written a book just to get his approval! I thank him for providing me the inspiration to become an author.

The second level is that of implementation. This is the stage of actually researching and writing the book. This stage is the graveyard of innumerable books which remain as concepts and never see the light of day. The experience of writing this book was similar to the roller-coaster ride that entrepreneurs I advise usually go through. With time required for work, family, friends, social obligations and self-renewal competing with this "theoretical" exercise of authoring, it was difficult not to feel dejected, de-motivated and frustrated at the slow pace of work. It took me three-and-a-half years to complete the final manuscript of this book. In the process, I gained quite a few insights into self-management and personal effectiveness which, I dare say, may form the basis of another book in due course! I thank all my friends and all members of my family for bearing with my erratic hours and providing their silent support and encouragement without which this book would never have been con-

cluded. I would especially like to thank my brother, Amitab Sahai, who is blessed with a large heart and exceptional organizational capabilities apart from a natural affinity with technology. His pro-active management of day-to-day work and home issues kept things moving smoothly, making time for me to concentrate on writing this book. I would also like to thank Deepak Sahai, my other brother, and Anupam Jaiswal both of whom worked with me to design and develop VentureAhead.com and VentureFeedback.com, which continue to provide me a platform to interact with entrepreneurs and learn from their experiences.

The final stage is the rollout phase in which the actual publishing of a book takes place. In this phase one has to find a publisher who then takes on the work of editing, designing, printing, distributing and marketing the book. I was fortunate that I wrote the book after signing an agreement with Vision Books. I am grateful to Kapil Malhotra of Vision Books for his cheerful acceptance of the delay in the submission of the final manuscript. Kapil signed me on to write this book after only a half-hour meeting. By doing so he behaved like a true venture capitalist — he met the entrepreneur (me), heard his pitch about the concept (this book), and took the decision to invest his time and money in the project. I hope for his sake (as well as mine, I guess) that his investment gives him multi-bagger returns.

Your Feedback

I would love to receive feedback from all entrepreneurs and others who read this book.

PANKAJ SAHAI

A-48, Gulmohar Park
New Delhi 110049, India.
Email: pankajsahai@gmail.com
Mobile: +91 98110 21090
Work: 91 (11) 2651 7234 / 2652 6319 (Direct)