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**Title of the Paper:**

Business Leadership for Start-up India – Getting the Competitive Edge

**Theme:**

Project Management Leadership > Leveraging India's skilled population for competitive edge

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Leadership, PMBOK, Entrepreneur, Start-up, Knowledge Area, Project Management, Risk

**Abstract:**

With Start-up India initiatives, the government is desirous of creating millions of entrepreneurs that can create jobs and wealth for economic growth. Most new entrepreneurs are in their late twenties or early thirties, with little experience of managing sizable teams. While some start-ups get funding from known VC firms and therefore management advice, more than 90% of the start-ups that are established go through a very painful growth cycle. As the start-ups grow in size, they are faced with the challenges of (a) managing larger teams (b) retaining talent pool (c) scaling up operations (d) managing money and a myriad of other challenges for which they are under prepared. Unless they are able to surmount these, the country will not be able to get a competitive edge in the global entrepreneurship map.

At this stage, they need to transform themselves from being an “ideas person who started a company in a garage” to “a business leader who can manage and grow a business that can transform the society”

The proposed paper intends to answer the question “As leaders of their organizations, what knowledge areas should they understand in order to continue to have a competitive edge?”

**Intent:**

The intent of this paper is to map an entrepreneur’s challenges to PMBOK knowledge areas and rate their importance in the entrepreneur’s journey from being an ideas person to a business leader. The paper shows how understanding PMBOK knowledge areas help the firm survive the ‘chasm’ and grow.

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## Introduction

**Start-up India:** The start-up India initiative by the government of India aims to unleash the potential that India has by providing incubation and IP assistance as well as tax benefits. These initiatives are together expected to give a boost to the growth of Indian economy by creating employment and wealth. Even outside these initiatives there has been a flood of new young companies, thanks to angel funding and VC funding of innovative ideas.

**Entrepreneurship:** Innovation and risk taking ability are the core tenets of entrepreneurship. However, innovation does not always breed success – there are pitfalls of business that many entrepreneurs do not realize when they start a venture. These firms are generally characterized by focus on product development, lack of formality, lack of defined roles and responsibilities, lack of knowledge of market factors, etc. The passion and energy are expected to more than make up for the chaos in which they grow.

**Project Management:** Project Management as a science, on the other hand, is quite different. It formalizes every process, tries to establish stability, and generally helps move towards a 'no surprises' management. It may not be very exciting to follow the principles of project management, but it certainly makes life stream lined for all.

**This Paper:** This paper attempts to rate the knowledge areas in terms of its importance to an entrepreneur who is staring at growth and may have trepidations of whether she will cross the chasm and make it big or fall into the ravine and perish. **The theme of this paper is that focusing on the right knowledge areas and mastering them will hand hold the entrepreneur to transform into a business leader and take the venture towards growth and glory.** The ratings provided are based on the author's experience in consulting with start-ups.

## Start-up Entrepreneurial Characteristics during growth

In the early phases, many entrepreneurs end up addressing only the first of the four P's of marketing – the Product. Given that the entrepreneur's idea was about the product, most of the energy goes into developing a 'perfect' product – perfect from the entrepreneurs view point and not necessarily from what the market needs. The other three P's – Price, Place and Promotion are usually given a lower preference and are usually an after thought. As the growth phase starts, the entrepreneur has to shift gears and become a new person – a business leader - with much wider scope in terms of management and associated skills.

### Can PMBOK come to the rescue?

She need not go too far for guidance. The PMBOK is a good starting point. It can help the entrepreneur make sense of the complexity and challenges of growth. The journey from being a start-up entrepreneur to transforming into a business leader can progress by concentrating on the right knowledge areas as defined in the PMBOK. While there are 10 PMBOK knowledge areas, all of which are of course useful, there are some areas that are more important than others as the venture stands at the threshold of growth.

This paper attempts to rate the knowledge areas in terms of its importance to an entrepreneur who is staring at growth and may have trepidations of whether she will cross the chasm and make it big or fall into the ravine and perish. **The theme of this paper is that focusing on the right knowledge areas and mastering them will hand hold the entrepreneur to transform into a business leader and take the venture towards growth and glory.**

### Project versus Operations

According to PMBOK "Operations are ongoing endeavors that produce repetitive outputs, with resources assigned to do the same set of tasks according to the standards institutionalized in a product life cycle. Unlike the ongoing nature of operations, projects are temporary endeavors."

For start-ups however, there is little difference between operations and projects. When you have an idea and want to convert it into a business, everything is work in progress and everything is operations – making the technology work, putting the team in place, obtaining permits, getting the business plan right, finding the required funds, managing cash flow etc.

### PMBOK Knowledge Areas and Start-ups

Let us now look at each PMBOK knowledge area within the context of a start-up in the beginning of the growth phase.

## **PMBOK Knowledge Area 1: Project Integration Management – Unify, Consolidate, Integrate processes; handle resource allocation, trade-offs, and manage interdependencies.**

**Business Need** – Entrepreneur thinks she knows the business need. It may or may not be validated through a market study. It may be a felt need or an unmet need.

**Product scope description** – Entrepreneur usually has a good idea of the product scope. She knows how it is supposed to work in order to satisfy a market need. However, whether she will be able to actually successfully scale and address a large market is not clear.

**Strategic Plan** – Most times there is an aspiration and a passion, but not necessarily a well articulated strategy of which business plan is a part. It evolves as the organization grows. The market usually changes faster than the strategy document, if one exists.

All resources are allocated to one project – getting the product right. There is not much provision for clarity in resource allocation. This phase is characterized by tasks being allocated to whoever is prepared to do it rather than allocating people with right skills. Focus is on making the technology work rather than managing processes.

***On a scale of 1 to 10, Project Integration Management knowledge area gets a score of 4.***

## **PMBOK Knowledge Area 2: Project Scope Management – Defining the boundaries**

For an entrepreneur, the scope starts off as a product idea in her head. As it develops and finds its first customer, its scope changes. What the customer needs is different from the original idea. So, changes to the product start. Entrepreneur thinks that with the changes, the product will be ready for more customers to buy. With the second customer, changes to product start again. The cycle goes on and on. By the time the product is mature enough and the market just big enough to break-even financially, there is intense competition, technology changes and demand changes to warrant version 2.0 of the product. Defining the functional and technological boundaries is a continuous process. Scope keeps changing even before the first release has happened.

Change in functional scope often demands new skills to be added to the team either through external hiring or through internal reskilling with its own impact on cost and schedule.

As the start-up moves from boot-strap funding to business angel or Series A funding, new problems crop up. When new funding comes in, there are more stakeholders with their own ideas of what the product

scope should be. Scope getting out of control resulting in cost overflow (cash burn) and delivery delays are common among start-ups.

There are no pre-defined acceptance criteria for the product produced by a start-up. Market/Customer acceptance is the only proof.

When scope increases, in normal organizational projects, there is change management and requests for more resources. At last there is a process for that. For a start-up, in most cases, the increase in scope has to be met with existing resources and within committed deadlines. This results in enormous 'organizational load' frequently resulting in attrition, quality deterioration and team demotivation.

To manage such situations better, the leaders have to be able to understand the market, how their product satisfies the customer, what features can be compromised without losing the market, what priorities in scope need to be reworked and so on. These are skills they may not be available readily in a technology-fired entrepreneur.

Understanding scope management with reference to market, and internal stakeholders is therefore key to successful growth.

***On a scale of 1 to 10, this knowledge area gets a 8 in its importance for a start-up in the growing phase.***

### **PMBOK Knowledge Area 3: Project Time Management – Managing timely completion of the project**

In a start-up, all activities related to time management merge into just one process called '**somehow-do-it-quickly**'. While start-ups understand the importance of project time management, most of them are unable to adhere to the time schedule because they are dealing with a number of unknowns for which they have made no provision – technology, estimation, people productivity and scope being the main culprits.

***On a scale of 1 to 10, this knowledge area gets a 6 in its importance for an entrepreneur to become a business leader.***

### **PMBOK Knowledge Area 4: Project Cost Management – Budgeting, Funding and Controlling costs**

While start-ups are keen on turning their innovative ideas into products and services, they usually fail, at least initially, to cost for their own time, overruns, cost of money, opportunity cost etc. They also make massive assumptions about sales and collecting money from customers, which in many cases, just isn't

reality. So, they end up with cash flow problems leading to overdrafts, loans at higher interest rates or problems of finding investors that comes with a cost (either in the form of interest or equity or control). Most entrepreneurs feel that budgeting is an annual exercise for large companies, that all they need to do is understand how much money is in the bank and how much is needed for the next few weeks. Given the pressures of growth, start-ups fail to take a medium term or a long term view of costing. Very little thought is given to pricing as the focus is on getting the product to the market and gaining some customers. With product scope changing continuously, cost and cash flow become consequences and not points of focus.

While the initial product pricing has to be market driven, what is surprising is that an exercise covering product development cost, likely sales, collection delays, cash flow analysis etc., is hardly ever done in a process-based manner. This lack of discipline can often spell the difference between a successful start-up that can cross the chasm versus a failed one that drowns in cash flow issues.

***On a scale of 1 to 10, this knowledge area gets a 10 in its importance for an entrepreneur to become a business leader.***

## **PMBOK Knowledge Area 5: Project Quality Management – Managing processes to ensure project is delivered to specifications**

For start-ups, at least during the initial period, there is no external customer providing product or project specification. The 'fit for purpose' concept is only in the vision of the entrepreneur. The gap that may exist between such a product and what the first few customers actually accept often determines quality – from a point of view of features, functionality, usability, value and price.

Very often, the start-ups are so much carried away by their innovative idea, that they often fall short in understanding whether the product is adding 'business value' to the customer. This could happen due to several reasons.

- The business value proposition has not been articulated well by the start-up. Ability to articulate value from a customer view point is itself an essential factor for success.
- The product has not been tweaked enough to make the value apparent and obvious to the customer
- The start-up is addressing the wrong market segment

Then there are issues around quality as reliability and quality as a value differentiator.

It is important that start-ups understand the idea of quality management by aligning their product idea to the market segment they are addressing and then use quality management as a differentiator. Given the gap between intended product and market expectation, it is natural that quality management will be a

progressive process rather than passing a suite of tests. It is almost impossible to get all the aspects right before product launch and continuous quality improvement is the only way forward.

As far as cost of quality is concerned, it is impractical to estimate or calculate it given that product maturity is itself a continuous process.

***On a scale of 1 to 10, the Quality Management knowledge area gets a 6 in its importance for an entrepreneur to become a business leader.*** However, it gets a 9 on 10 as the market starts accepting the product and rivalry among competing players increases.

## **PMBOK Knowledge Area 6: Project Human Resource Management – Organizing, managing and leading project teams**

While traditional project management philosophy tends to delineate roles, responsibilities and reporting structures in order to efficiently manage projects, this philosophy may be impractical in the start-up growth scenario. A defined team structure is more often a luxury for such organizations. The structures are not defined and then filled with appropriately skilled people as would be ideal. Teams evolve, learn, grow, create the product and deliver in a very non-formal, non-hierarchical way. Individual performances are almost non-measurable and hence non-appraisable in most cases. Consequently, any system of rewards and incentives will have to be group-based rather than individual based. This, in turn, has its own challenges of demotivation, demoralization, attrition and other consequences. Every issue, problem and challenge is everybody's responsibility (and hence nobody's many times). Challenges fall through the cracks due to lack of individual responsibility and everyone seems to be working harder and harder, just to stay where they are.

Since the promoter and a few founding members have the passion (and hopefully the vision), they continue to feel excited and not exhausted. However, the same cannot be said of the next level of the team and of junior members. The founders fail to understand why others are not enthusiastic enough as themselves. With cash flow issues also cropping up, even senior team members start doubting whether they will have a paying career in the medium term and this makes for a beeline to the exit door. This is one of the most crucial phases of the start-up growth. Resource histograms, resource calendars and such other plans become superfluous in such situations.

If you lose the people who have the knowledge of the product and of the organization, you are setback by a few months if not years and in a competitive world that can be a debilitating setback.

Activities like team building activities, constant communication, vision articulation and leadership by example become very helpful in managing human resources during this phase.

***On a scale of 1 to 10, the Project Human Resource Management knowledge area gets a 9 in its importance for an entrepreneur to become a business leader.***

## **PMBOK Knowledge Area 7: Project Communications Management – Collecting and Disseminating project information**

Given the small size nature of start-up teams and team-based structure, start-ups in this phase tend to over-inform team members and communication is usually not considered a challenge. However, in terms of documentation and formality of communication, start-ups (even the large ones with more than five years in existence) seem to focus on product documentation rather than organizational or process documentation. While this is not critical to success in the market place in the initial phases, it becomes important in the context of next level of growth, product proliferation, version control, IPR, customer contracts, strategic alliances, next round of funding etc. Growing start-ups would do well to give more importance to this knowledge area than is being given now.

***On a scale of 1 to 10, the Project Communications Management knowledge area gets a 6 in its importance for an entrepreneur to become a business leader.***

## **PMBOK Knowledge Area 8: Project Risk Management – Identifying and managing risks**

This is one Project Management knowledge area that even established organizations find unable to handle very effectively. In case of growing start-ups, this area is even more important as incorrect risk assessment may lead to closing down the venture resulting in loss and heart-break, leave alone the social and family consequences.

An Entrepreneur, by its very definition, is a risk-taker. She sees an unmet need in the society, plans to exploit the window of opportunity and believes firmly that the situation can be gainfully leveraged. Such a person tends to be optimistic. If not, the venture may never take off. Entrepreneurs are usually people with confidence who hope things go well.

While this is a remarkable and essential trait for an entrepreneur, the flip side is that such people tend not to take looming risks seriously. The risk may be to do with product feature, product pricing, financial, market acceptability, employee attrition, IPR theft etc. They tend to down play the risk and hence ignore them, hoping it will go away. Very often, such entrepreneurs, especially in the growth phase, tend to end up being beaten by the change in external or internal environment.

While risks cannot be avoided, many start-ups tend to take a very optimistic view of the future and hence do not seem to be able to see the risks looming large around the corner. While most are adept at

managing technology risks, they are not prepared for macro-economic changes impacting their sector, market risks in terms of competition (new players, substitutes, new moves by competition), cash flow/funding risks as well as internal risks related to employee attrition and cost escalation.

This is an area that start-ups in the growth phase would do well to consciously consider and manage. Unless these risks are foreseen and managed, the venture will most likely fall into the 'chasm' so famously explained by Geoffrey Moore in his *Crossing the Chasm*.

***On a scale of 1 to 10, the Project Risk Management knowledge area gets a 10 in its importance for an entrepreneur to become a business leader.***

## **PMBOK Knowledge Area 9: Project Procurement Management – Identifying and managing your supplier partners**

Procurement is one knowledge area that is usually not managed using PM principles, unless the organization is really large and well established. In the case of growing start-ups, unless a particular part or component is critical for the end product and creates a differentiator in the market, it is assumed that suppliers will supply what is required when it is required. Since the focus is on getting the product out to the market and get acceptance by the customers, such companies often fail to manage supplier contracts intelligently, thereby robbing themselves of better long term rates. Also, since they are new in the market, suppliers tend to exploit start-ups, given that there is no pipeline visibility for themselves.

Most start-ups in the beginning of the growth phase do not have a process-oriented approach to procurement management. As growth starts and scale becomes important, the entrepreneur has to start thinking beyond and start developing long-term supplier relationships, understand contract management (with suppliers, customers, channel partners etc.) and put in place a strong procurement management process.

The entrepreneur should also understand the different procurement models possible, ensuring that some of his own risks covered back-to-back with the suppliers, thus reducing overall risk for the business (make or buy decisions, fixed fee versus T&M contracts, credit terms, penalties, forming and managing strategic alliances). This is again a leadership skill that needs to be learnt by the entrepreneur.

***On a scale of 1 to 10, the Project Procurement Management knowledge area gets a 6 in its importance for a an entrepreneur to become a business leader.***

## **PMBOK Knowledge Area 10: Project Stakeholder Management – Identifying and managing your stakeholders**

This is another area that entrepreneurs really struggle with. While identifying stakeholders is a no brainer for them, managing them, especially investors, is a big challenge. When investors come with better market and management knowledge to suggest changes to the way of working of the firm, the entrepreneur is reluctant to change. They usually have their own ideas of how things should work and any changes are resisted.

However, as they take on the role of a business leader, it is important to be able to see the other side of the arguments and change when necessary. More importantly, the ability to articulate and convince other stakeholders to your viewpoint is critical to success.

***On a scale of 1 to 10, the Project Stakeholder Management knowledge area gets a 7 in its importance for a an entrepreneur to become a business leader.***

## Conclusion

- Entrepreneurs, at some point, have to transform from 'ideas person' to 'business leader'
- Understanding the priority knowledge areas is important
- PMBOK provides a useful way of making the transformation to being a business leader