
From Start-Up to Scaling Up



By Balagopal Vissa , INSEAD Associate Professor of Entrepreneurship

Contrary to popular belief, it's much harder to build scale in a business than to start one.

Like most successful entrepreneurs, Parikshat Laxminarayan started off his entrepreneurial journey by noticing a gap that he knew could be filled by anyone determined enough to throw down some cash and chase the dream. During his MBA at INSEAD, he travelled to his native India with several classmates and while there, one of them observed that what he'd experienced in India was vastly different to what he'd expected. The classmate experienced a clean, green and vibrant country; which broke his stereotype of India as hot, poor and dry - which of course is true of many parts of the country. Laxminarayan spotted a business opportunity in that observation!

There was a gap between travellers' perceptions of India and what a visit to India could actually be when managed professionally. There were already many tour operators which could offer cheap and quick drive-by experiences of the surface-level India, or the white glove operators that used posh partners to operate trips. There was room in the middle for a venture committed to redefining the travel experience and giving new perspectives.

In 2004, Enchanting-India was launched by Laxminarayan and German classmate Alex Metzler. What started with India has since expanded to Africa, South America and the rest of Asia. A one-country business is now multinational, but scaling the business wasn't always easy. Laxminarayan shared his challenges on a panel at the last INSEAD India Business Dialogue in Bangalore along with other entrepreneurs and experienced executives. Apart from the well-known challenge of raising sufficient financial capital in a timely manner, the lively panel discussion surfaced three other critical challenges for companies looking to scale: 1) outgrowing the skillsets of the early employees 2) staying focused on the original goals but maintaining the flexibility to shift with changing circumstances and 3) keeping a consistent culture and vision as the organisation expands geographically.

Specialised skills

When Enchanting-Travels started to move beyond India, Laxminarayan noted that the skill sets of the company needed to change. When the business became less about specific geography, the company's recruiting strategy saw a shift. The functional skills built in India weren't necessarily applicable to markets outside of the country. In 2006, when he set up Enchanting-Africa, he formed a new partnership with Florian Keller, a man he calls the "walking encyclopedia on Africa", demonstrating the importance of local thought leaders to the expansion of the business. Enchanting-Travels now operates in 28 countries with staff of 17 nationalities.

But that's not to say that existing employees lose their value. Another panellist at the dialogue was G.V. Ravishankar, a managing director at Sequoia Capital. He cites his experience with Via, a travel ticketing company that Sequoia invested in. A key success factor he says that helped Via scale across Asia was the ability of the management to find a balance between getting closely involved in all of the moving parts and giving people ownership and responsibility to be entrepreneurial. The company interestingly sent a senior accountant to open its office in the Philippines. Originally, investors on the board were sceptical about the choice, given the apparent skill mismatch, but now the accountant has successfully gone on to open offices for the company in Korea and Japan.

Shifting template

As businesses expand and skillsets change, the companies we heard from also had to grapple with the evolution of their identities. Vikram Chhatwal,

the founder, chairman and CEO of Medi Assist, an Indian insurance benefits administrator summed this point up. A veteran of enabling healthcare in India, Dr. Chhatwal said that in the three businesses he has founded from scratch, there was always a hypothesis. He always knew the scale he wanted was inside India given the breadth of the healthcare challenges in the country, but the hardest part was sticking to his vision. Given a nascent and ever-changing market and the continually evolving needs of customers, it was always a judgment call on whether to stick to the original hypothesis or recast it based on what seemed like genuine market signals.

Culture consistency

While flexibility in the business plan is key to scale, consistency in culture was something Laxminarayan said was one of the most important values to expanding into new markets overseas. He said one of the most useful things he did was when his venture touched a headcount of a hundred was to hold a vision and values workshop, where the management engaged with every person to discover what their drive and values were in order to align everyone on the mission of the company.

Now with so many nationalities on the payroll and so many countries in its offering, managing the diversity of expectations and infusing the team with the same culture has become a key pillar to its growth.

Scaling new heights

As all of the panellists showed, there is more to scale than financial capital and investment alone. What has enabled these entrepreneurs to take things to the next level has been careful skillset building, maintaining a flexible focus and game plan and a mindful infusion of desired cultural values. The nature of changing business landscapes also means a listening ear for customers remains a must. Laxminarayan admitted that one thing CEOs often tend to forget along their journey is to listen to customers. He says that as a CEO of a venture in the growth phase, it is easy to become too inward looking – focusing on growing and structuring the organisation, socialising the new hires and so forth. He makes a point of spending at least 20 percent of his time with his customers just to listen and understand their needs. A relentless and almost unspoken commitment to the details – be it in assembling the right skill sets, adapting the business model or shaping organisational culture - is what separates a struggling start-up from a venture rapidly scaling to new heights to become an established firm.

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