

GRAFTING ENTREPRENEURSHIP

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Abstract

Nowadays, Organizations especially the start-ups concentrate so much in adding values to the product and services that it hardly adds value to their own employees. Mass layoffs and shutting down businesses are few examples of that. This paper attempts to increase an understanding of a different approach towards entrepreneurship. It basically takes into account the roles venture capital financing play in supporting entrepreneurial activity and an alternative to it by introducing the concept of grafting entrepreneurship and its implications.

Keywords: *Entrepreneurship, Grafting, venture capital*



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1. Introduction:

1.1 Grafting: It is a horticultural technique whereby tissues of plants are joined so as to continue their growth together. The upper part of the combined plant is called the scion while the lower part is called the rootstock. This allows you to combine the qualities of a strong, disease-resistant plant with the qualities of another plant, usually one that produces good fruit or attractive flowers.



Fig 1. Example of grafting.

1.2 Entrepreneurship: It has been defined as the capacity and willingness to develop, organize and manage a business venture along with any of its risks in order to make a profit and the people who create these businesses are called ‘entrepreneurs’.

Successful entrepreneurs have the ability to lead a business in a positive direction by proper planning, to adapt to changing environments and understand their own strengths and weakness.

There are various kinds of entrepreneurship based on the process it follows:

Feminist entrepreneurship: An entrepreneurship which applies feminist values and approaches with the goal of improving the quality of life and well-being of girls and women. Many are doing so by creating ‘for women, by women’ enterprises.’ Feminist entrepreneurs are motivated to enter commercial markets by a desire to create wealth and social change based on the ethics of cooperation, equality and mutual respect.

Social entrepreneurship: An entrepreneurship driven by a social mission, with a desire to find innovative ways to solve social problems that are not or cannot be addressed by either the market or the public sector.

Disadvantaged entrepreneurship, survivalist entrepreneurship, ethnic entrepreneurship and Indigenous entrepreneurship to name a few other kinds.

2. Venture capital and startup’s fallouts:

2.1 Venture Capital: It is a type of funding for a new or growing business. It usually comes from venture capital firms that specialize in building high risk financial portfolios. With venture capital, the venture capital firm gives funding to the startup company in exchange for equity in the startup.

Obtaining venture capital is substantially different from raising debt or a loan. Lenders have a legal right to interest on a loan and repayment of the capital irrespective of the success or failure of a business. The return of the venture capitalist as a shareholder depends on the growth and profitability of the business. This return is generally earned when the venture capitalist "exits" by selling its shareholdings when the business is sold to another owner.

Of these qualities, funds are most interested in ventures with exceptionally high growth potential, as only such opportunities are likely capable of providing financial returns and a successful exit within the required time frame (typically 3–7 years) those venture capitalists expect.

From the first spark of an idea to setting up a business and making it grow, at various points of the journey, an entrepreneur will consider venture capital funding for his startup to thrive, scale, and go farther, faster. But the process can be daunting for a newbie entrepreneur as venture capital is invested in **exchange for an equity stake** in the business. A VC-funded startup will go through several rounds of funding, and the founders will have to part with large chunks of stock in the process. You should go to a VC only if you have ambitions to scale up your business with big infusions of capital. You should also be prepared to get onto a fast growth track, because venture capital investors will want to sell their stake and reinvest in new startups. Institutional investors are looking for a rapid scaling up.

2.2 Start Up fall-outs:

I have this belief – everything that is gradual is sustainable. It is what I learned from nature. It is what I saw in my life and things around me. Certifications instead of degrees and many things in the similar patterns are all temporary because it is all a quick fix and not sustainable. Also, anything growing rapidly makes me skeptical, because it's against the law of nature.

There is always a natural order to things and will see below three imminent fall outs with example:

1. Startups have pulled down their shutters or been acquired – There was a time when Jabong was such a sought after startup that some where even willing to pay \$1.2 billion for it. On July 26th 2016, Flipkart acquired jabong for \$ 70million.
2. Speculation leading to investors refraining from funding – Multiple investors approached by flipkart and snapdeal have refused to put up money at valuations before the merger talks between two.
3. Doing mass layoff – snapdeal laid off 600 employees earlier this year and similar situation happened with 700 layoffs by flipkart last year.

If we are suddenly doing mass layoffs, shutting businesses, getting devalued, and killing dreams of people dependent on one, is one really worthy of being called an entrepreneur?

3. Importance of Brand:

3.1 Branding and strong brand impacts: The process involved in creating a unique name and image for a product in the consumer's mind, mainly through advertising campaigns with a consistent theme.

1. **Branding improves recognition**
2. **Branding creates trust**

3. **Branding supports advertising**
4. **Branding builds financial value**
5. **Branding inspires employees**
6. **Branding generates new customers**

If one is starting a new company, one of the most important things one can do is to make sure to get the correct branding. Branding aims to establish a significant and differentiated presence in the market that attracts and retains loyal customers.

The most profitable companies, small and large, have a single thing in common. They have established themselves as a leader in their particular industry by building a strong brand.

4. Proposal:

Grafting entrepreneurship: An entrepreneurship where an entrepreneur looks for joining a well-established organization, get there funding with “brand name”. Worst scenario could be the organization funding in exchange for equity in the startup, which is the same venture capitalists do. But, here we get a “Tag” i.e. brand name.

Let’s understand with a comparison:

“TATA” CLiQ: The 150 –year-old salt to software conglomerate entered online retail and now giving competition to Flipkart. One of the major reasons is the brand name “TATA”. If the company is to be believed, it claims to be close to breaking even.

“Reliance Industries” Ajio and “Aditya Birla Group’s” Adof are few other who is in the race to be e-commerce giant.

What if Flipkart or shopclues would have a brand name, would their conditions be still the same?

If we closely look into the definition of **franchising** which is a type of contractual vertical marketing system that involves a continuing relationship in which franchiser (the parent company) provides the right to use a trademark plus various management assistance in return for payments from a franchisee (the owner of the individual business unit).

Therefore, Grafting entrepreneurship is nothing but franchising but the planning, decisions about product and services provided and the functioning is all decided by the entrepreneurs.

Win-Win Situation: It’s a win-win situation for both the start-up as well as the organization. If the idea has strong potential, an organization will do fund as well as give them the brand name, just like adding a branch to a big tree, as in grafting.

As time passes, branch (start-up) gets attached to the tree (organization) and provides food (profit) to the tree.

If ever the branch becomes a liability, it can always be removed or cut loose. So, no holdback for the organization either.



Fig 2: One of the master works of grafting. So, could be an organization.

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