

Entrepreneurship - My Experience and Learnings.. Rashesh Shah

Dear Dr Ganguly, Mr Mohan, Distinguished panel members, Other Honourable Recipients of the Awards, Ladies and Gentlemen.

I sincerely thank BMA and the awards jury for bestowing this honour upon me. I feel both proud and humble while accepting this honour. And especially because this comes from BMA, one of the oldest associations in the field of management. From what I can recall, BMA was established in 1954 – possibly even before the concept of "Management" was formally born in India!

I want to share my experiences in entrepreneurship, from two very important sources. I have been fortunate that the journey of Edelweiss has provided me with lots of experiences on entrepreneurship. Plus having worked with many companies in India, I have been able to see and experience entrepreneurship in *and through* many individuals and companies. These are the experiences I want to share with you.

We have been very fortunate in India to be in what I consider the golden age of Entrepreneurship. Though India has always been 'entrepreneur- rich', Since the 80's, entrepreneurship has become more accessible and more rewarding.

For me, Entrepreneurship boils down to five things – Ideas, Values, Resources, Asymmetric Payoffs and a little bit of Luck.

All entrepreneurial endeavours are based on *some of these* – great entrepreneurial endeavours are built on *all of these*.

Ideas - It all starts with Ideas. Ideas are the dreams, the aspirations, the emerging market opportunities that one sees. Though Ideas change as markets change, and as opportunities change - most entrepreneurs manage to keep the core idea intact while the outside colors keep changing.

Ideas are often vague – good entrepreneurs give them definition. Ideas are usually basic concepts that can be explained in two or three sentences or even with images.

I remember when we started Edelweiss; the idea was that as the economy liberalizes and evolves, capital markets will become a significant channel for routing funds from providers of capital to users of capital. In India, the banking sector was

this conduit until the 80s; now capital markets have become a growing alternative. We actually used to draw one large bridge (on which capital would move from providers to users) with many lanes and call this Banking – and then used to draw one small single lane bridge and call this capital markets. Our idea was that this **single lane bridge will soon become a multi-lane expressway. This was the idea.**

Ideas also evolve. When we started we thought if we were wildly successful, we would have 100 employees and maybe Rs. 100 crores of equity capital (we started with a capital of a crore). Today we have 1300 employees and Rs 2500 crores of capital. And we are much smaller than what we want to be!

However, ideas alone are not enough. These have to be accompanied with Values. Values - is obviously a high flying clichéd word, but to me **values essentially means clarity about what can and cannot be done. Values set the boundaries.** Without boundaries, organisations flounder and the anchor or compass is lost. **If ideas are the accelerator, then values are the brakes.** A good car needs both in excellent working conditions.

When we started Edelweiss, we were advised (by someone we respected a lot) to put down our value principles. Though we did not see much meaning into this at the time, out of respect we worked hard and put down what we call our Guiding Principles for Business. These have become more and more valuable as the organisation has grown. At Edelweiss, the Guiding Principles for Business is like the 'preamble to the constitution' and these have added more value to us than we ever imagined 13 years ago.

After Values come Resources – **because without resources, ideas cannot be executed.** We all know that the key resources for any organisation are mainly people and capital. All other resources follow. Some may argue that technology, natural resources, patents, brand names etc. are also resources but I feel these can be acquired if you have the people and capital. Without the right quality and the right amount of these 2 key resources, there can be no execution of ideas.

Of the two, I have found that people will attract capital (fortunately we live in a world of easier access to capital).

At Edelweiss, we have considered people as the most important resource – and have worked hard to convert these into a strategic advantage. E.g. We kept aside

10% of our original equity for future partners and employees and we distributed this initial promoters' equity until 2003 - 7 years after we started! We also insist that senior managers spend between 20-25% of their time on 'people related issues'.

On the capital front, we have always veered towards being more than adequately capitalized and being very very conservative in our use of capital. Respect for these two core resources is the foundation of our organisation.

Then comes Asymmetric Payoffs. Successful entrepreneurs understand this intuitively. They **capitalize a lot more on the upside than what they lose on the downside**. I like to call this **asymmetric payoff**. When entrepreneurs find the right opportunity at the right time – they make the most of it. Most entrepreneurs are optimistic; they know that the upside of good times is much higher than the downside of bad times. This asymmetry comes out of an inherent belief in the future.

There is a slogan in Silicon Valley – the Mecca of entrepreneurship; it is **'Fail Often, Fail Small and Fail Fast'**, because there are always other opportunities with bigger upsides. **Good entrepreneurs do not let the misses bog them down; they focus on the hits**. They get a lot more out of things that work out well. And they keep the cost of failure – both emotional and financial – under control.

And – after all this, all entrepreneurs need a little bit of luck! This is that indefinable thing – right time, right place etc. But usually good fortune is **correlated to effort**. And to time. Long run works for all entrepreneurs.

As Woody Allen said – A large part of Luck is showing up. All entrepreneurs understand the need to keep showing up.

Lastly, all journeys such as Edelweiss are never alone. And speaking of Luck, I have been lucky to have 2 great partners in this journey;(1) Vidya, my wife

Who has been a tremendous source of support and encouragement for Edelweiss over the years and (2) My friend and cofounder of Edelweiss; Venkat Ramaswamy who has smilingly gone through the ups and downs of this journey. Alongwith this, there are many whose fingerprints are on the Edelweiss story. Everyone in Edelweiss has contributed to this. This award is for all of them.

Once again, thank you for the award and I shall always cherish this honour.

PROFILE

Rashesh Shah

Rashesh Shah, Chairman of Edelweiss group of Companies, has over 20 years of experience in public and private markets in India. Prior to founding Edelweiss he worked with ICICI, India's largest private sector bank followed by Prime Securities where he headed Research and Investments focusing on the Buy side.

In 1996, encouraged by the opportunity in the Investment Banking business in India, Rashesh founded Edelweiss Capital with another ICICI colleague, Venkat Ramaswamy (who heads the Investment Banking group at Edelweiss).

Rashesh's focus on innovation and his passion to constantly venture into uncharted territory has been a key differentiator for Edelweiss in its growth trajectory. Under his stewardship, Edelweiss has seamlessly grown into a large diversified financial services conglomerate offering businesses ranging from Investment Banking, Broking Services, Asset Management and Loans. The company's consistent 100%+ growth can be attributed to the culture of ownership & partnership that is nurtured amongst the employees of Edelweiss.

Rashesh has served on the Boards of various companies and is also a Member of the Executive Committee of the National Stock Exchange and the Chairman of the Capital Market Committee of FICCI. His academic qualifications include an MBA from Indian Institute of Management, Ahmedabad, a Diploma in International Trade - IIFT, New Delhi and a B.Sc. from Mumbai University.

Rashesh has recently been honored with 'The Alumnus of the Year' award from the Indian Institute of Foreign Trade (IIFT).
