A CONCEPTUAL STUDY ON STARTUPS AND T-HUBS

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ABSTRACT

BACKGROUND

The study was done to know whether T-hubs are really helping new entrepreneurs’ problems and motivating them to startup a new venture. The study was purely conceptual concentrating on the readily available facts. For the study, information was needed to be abstracted from large knowledge bases like web sources, magazines, other reviewed articles. A startup company (startup or start-up) is an Entrepreneurial venture which is typically a newly emerged, fast-growing business that aims to meet a marketplace need by developing or offering an innovative product, process or service. A startup is usually a company such as small business, a partnership or an organisation designed to rapidly develop a Scalable Business Model. Typically, a startup will begin by building a first Minimum Viable Product (MVP), a prototype to validate, assess and develop the new ideas or business concepts. T-Hub in India started as an independent registered non-profit organisation, T-Hub is at the intersection of the start-up community, government, corporate, academic, and research sectors. It was formed to build a booming start-up ecosystem thriving on the tightly-knit, most vibrant entrepreneurial ecosystem in the country. The goal is to build an ecosystem that not only caters to local entrepreneurs but also acts as a gateway for anyone who wants to start a tech company in India.

KEYWORDS

Startup, T-Hub, Scalable Business Model, Minimum Viable Product, Catalyst.


BACKGROUND

Objectives of Study

- The study was conducted to know pros and cons of startups.
- Study about the gaps between skill requirements with actual practices.
- Evaluating the gaps identified in start-ups with T-hub solutions.

Research Methodology

The study was purely conceptual. Majority of information was collected from the data available in web sources, articles, magazines, etc., the data is primarily secondary.

A start-up company is an entrepreneurial venture which is typically a newly built, fast growing business that aims to meet need of certain market place by developing/offering an innovative product, process and service.

Start-up companies can come in multiple forms and sizes. The critical tasks required here are to form a co-founder team to secure key skills, know-how, financial resources and other elements to conduct research on target market.

Typically a start-up will begin by building a first MVP (minimum viable product) which has just those core features sufficient to deploy the product and no more.

Steve Bank (Author and Entrepreneur) defined MVP as minimum feature set. Sometimes MVP is also considered as a prototype which will be released to test the concept or process, to validate, assess and develop the new ideas or business concepts.

In addition, startup founders do research to deploy their understanding of ideas, technologies or business concepts and their commercial potential.

Business Model for start-ups is generally found via bottom-up and top-down approach.

The size and maturity of the start-up ecosystem where the startup is launched and where it grows have an effect on the volume and success of the start-ups.

The ecosystem consists of entrepreneurs, organisations and institutions such as B-schools, non-profit entrepreneur support organisations, government entrepreneur programmes, business incubators and business accelerators and top performing entrepreneur firms and start-ups.

Investors are generally attracted to those new companies distinguished by their co-funding team, a balanced risk/required profile and scalability. Attractive start-ups generally have lower boot-strapping (Self-funding of startups by the founder) costs, higher risks and high potential return on investment.

Funding to Start Up

There are several options for funding. Start-ups were provided financial assistance from two following major ways: Venture capital and Angel Investors. Venture capitalists may help start-up companies begin operations, exchanging seed money for an equity stakes in the firms.

An Angel Investor (Informal investor, private investor) is an affluent individual who provides capital for a business start-up.

Sometimes the founders of company may arrange total required fund for starting the venture.

An argument is that still there is a lot of space in India for start-ups. Because from the survey conducted by Ken Yung on start-ups in India it looks only few state capitals are encouraging start-ups. The results were represented in the below table.
or running into Hardships (Source: forbes.com/sites/Neilpatel/ 2015/01/16/90-of-startup-will-fail-heres-what-you-need-to-know-about-the-10).

**T-Hub in India**

To encourage competition and avoid monopoly situations in industries, few economists who believed in capitalism and rejected government intervention, but also held that the state had a strong role to play in creating a stable economy which resulted in Ordoliberalism.

Ordoliberalism is the German variant of social liberalism that emphasised the need for the state to ensure that the free market produces results. It promoted the concept of social market.

On June 5, 2014, just a day after he took the Oath as the first IT Minister from youngest state of Telangana, K Taraka Rama Rao, known simply as KTR faced a challenging question raised by an eminent person Srinivas Kollipara whose efficiency held as a mentor to various startup companies and with understanding startup ecosystem.

This was the genesis of T-Hub, India’s largest startup incubator and perhaps the first ordoliberal experiment in space, even if the founders doesn’t subscribe to the German economic ideology.

In 2015, KTR had said “we wanted it to be as un-government like as possible. I don’t think entrepreneurs can thrive in a government like environment.” T-Hub would be “completely autonomous” and “free spirited”, just the way entrepreneurs in a free market economy prefer, he said.

Kollipara, KTR and Jayesh knew that throwing money at Hyderabad was not going to make it a startup capital. There had to be a sound business model, a clear vision, the willingness to learn along the way – and all of it had to be built on top of the existing foundations of the city. “To build something like this, we need a strong minister, an IT secretary who gets it, and most importantly, the right person to execute the plans,” says Kollipara.

**About T-Hub**

The Government of Telangana has taken the path of “Innovation and Entrepreneurship” to make Telangana the most preferred investment destination in India. As a part of this effort the Government collaborated with industry and premier educational institutes to set up T-Hub – The largest facility for Innovation & Entrepreneurship in the country. Still it is in the first phase of establishment.

With a view to bank the strong talent pool in the state to nurture the next generation of Entrepreneurs. Government of Telangana kept $100 mn fund for necessary financial support for startups and initiated to build TASK (Telangana Academy of Skill and Knowledge) to equip graduates with required skills necessary for industrial requirements.

T-Hub is as incubator, but also a unique public-private partnership between government of Telangana, IIT-Hyderabad, ISB and NALSAR and other private sector players and it is not just an incubator which support startups through their journey, it is a startup which is creating a startup ecosystem in Hyderabad to make Hyderabad as a city of Startup capital of India.
It is anchored at an impressive building called Catalyst inside the IIIT campus in Hyderabad. The building was constructed with a 70,000 square feet co-working space where startups can get access to infrastructure, networking facilities, workshops and assistance from the senior management team of T-Hub, in return for a small monthly fee. T-Hub is designed to support technology-related start-ups, and its mission is to catalyze the creation of one of the best and most vibrant entrepreneur communities in the world in order to encourage and fuel more start-up success stories in India.

T-Hub hopes to attract the best start-ups and entrepreneur organisations from across the world to Hyderabad; work with an extensive network of partners to help entrepreneurs launch and scale innovative companies; equip innovators and organisations alike with the entrepreneurship skills required to succeed, using methodologies that transcend traditional learning; and link, educate and promote all entrepreneurship-related stakeholders in Hyderabad and Telangana, including start-ups, investors, incubators and accelerators, research centres, start-up resources, etc. in order to facilitate faster connections between talent, ideas and capital.

The Indian School of Business and National Law University are also mentoring the incubator, the first phase of which is known as Catalyst. At least 140 start-ups are expected to start at the Catalyst facility and will get a minimum of six months’ time to establish themselves after which they will move out to allow freshers to come in.

The role of the government here is restricted to act only as a facilitator. The broad framework and policies have been setup, and capital expenditure of Rs. 40 crore was allotted by the government. T-Hub is run by professionals with zero government intervention, and has to become financially sustainable on its own. If it fails, it fails. If the startups in the incubator cannot scale up, they will be weeded out.

Today, T-Hub supports 200 startups in the co-working space and guides 5 incubates in which they have a stake.

**Catalyst Building**

The Catalyst building is a monument in itself. As one walks into Catalyst, the silent energy of ideas is hard to miss. It is a space where a 3D printer is being tested in one corner, and VCs are discussing investments with startups in another.

A five-storey creative ensemble by W Design Studio in Hyderabad, it is a highly energised, colourful and vibrant working space which is extremely agile and unorthodox. “It is a mix between the corporate world and college campus. The building had to be creative and inspirational, and suitable for a mix between the corporate world and college campus. The working space which Hyderabad, it is a highly energised...” says Gokul Krishna of W Design.

**Services and Benefits Offered**

**The Services that Startups Receive in Catalyst, T-Hub’s Incubator Include**

- Credits from different service providers (HR, legal, accounting, finance, cloud services), pitch and mentoring sessions, etc. totalling up to 50,000+ credits.
- Sector-specific programs which help accelerate game-changing products to the global markets, scaling their existing businesses. They not only provide startups with resources such as mentoring, financial advice, and domain expertise but also connect them to corporate partners.
- Capacity building workshops such as investor meets, corporate connect sessions, mentorship workshops.

**Problems Noticed in the First Phase of T-Hub**

1. 10% of the 130 startups hosted by the state government T-Hub are in ideation stage while 40% are at the growth stage (products are ready to hit market), which may require to change the statement of IT minister KTR- “walk in with an idea and walk out with a product”.
2. Cost of cabin space is considerably higher than private incubation centres.
3. Space availability at T-Hub has also become a big problem to host startups as expected.

**Findings**

1. It was observed that the success rate for the startups is very less.
2. Mostly individuals were afraid to start a new venture with the following reasons- Fear of failure, inadequate resources, less exposure to Entrepreneurship, Habitu... to d o j ob, Lifestyle, Views starting a business as tough and hard work, Poor view of people with money, No idea what business to start, Fear of market, Need for security of a steady paycheck, Less motivated.
3. T-Hubs are encouraging startups, but the results are disappointing. Only about 10% success was seen in it.
4. T-Hub was still in the preliminary stage of development. It takes time to settle down and look back.
5. There is a lot of space in India to start ventures. The major problem is availability of resources and support from respective states.

**CONCLUSION**

Most people and specially youth below 30 years have more of an entrepreneurial itch than their older counterparts. In the survey, the older the respondent, the lower the likelihood that he or she had entrepreneurial ambitions. So the government’s role is essential to provide necessary support in encouraging them to do so. The problems of startups like inexperience, finance and skill gaps must be covered properly by the T-Hub integrating them with academic task force.

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