Bhavin Turakhia, Founder & CEO, Directi

Indian School of Business

- Preeti Veenam
- Pallavi Malani
- Manas Mody
- Diganta Baishya
- Nikhil Naraharikrishna

Bhavin Turakhia fastened his seat belt, thinking constantly of the presentations he had to wade through before he could get some rest. It was August 14, 2009; Bhavin was on his late night flight to San Francisco, U.S where his company, Directi was planning to set up operations. He wondered how many such flights he'd been on in the last 10 years since he'd started his venture and how many more he is looking forward to in the days to come. He'd come a long way. This story deserved to be told, he thought to himself. He resolved to call back the enthusiastic ISB students who had approached him for a case study on his venture. The next day, he was on a call with a team in India, eager to hear his story.

The Early Years

Bhavin was first exposed to computers in 1986, when he was in the 6th standard. The 12-seater computer lab soon became his "Mecca". He spent countless hours after school exploring BASIC and other programming languages on his own. He read various manuals and books to teach himself, what perhaps even his teacher did not know. By grade 9, he was the 'computer guru' taking extra lessons for students and teachers after school hours.

Bhavin fondly recollects his fascination with his friend's 8086 PC. The two worked on several projects, writing codes for advanced features such as mouse enablement, simulation engines and music player on those basic systems. By grade 10 Bhavin had coded a stock market simulation game built to track stock prices. This code was clearly ahead of his classmates' projects which were typically simple single file compilations. From an early age Bhavin was passionate about whatever he undertook.

By the end of grade 10, Bhavin had discovered his entrepreneurial zest, constantly pushing himself to 'Create something of Value in the world' – a personal philosophy Bhavin stands by even today.

The Entrepreneur in Bhavin

Bhavin came from a family that had no background in business. His mother, a lawyer by education had taken up the primary responsibility of looking after her two sons. His father, a Chartered Accountant by profession, had moved onto establish his own practice in Bombay after working for a Shipping company. His father played an instrumental role in stimulating Bhavin's intellect. He encouraged Bhavin to read extensively, providing him with all possible books of his choice. As a young boy Bhavin averaged 3 books every month. His personal favorites remain biographies, which he believes were his source of inspiration to tread the path of entrepreneurship.

When the time came to choose his line of education at college, he was presented with the two classic Indian aspirations – Engineering and Medicine. His natural orientation to logical reasoning, math and puzzles made him consider Computer Engineering in premier institutes in India. A hard look at the curriculum of the course left him convinced that Engineering degree would be a colossal waste of his time. He knew more and he couldn't wait to begin. He enrolled into a Bachelors of Commerce course from Sydenham College, Mumbai. All through college he didn't lose focus on his vision of creation.

He proceeded to start two businesses – computer hardware sales and The Web Spinners. Neither of them succeeded. The mid 90s witnessed the upcoming of the first home Internet connection, TCP/IP connectivity opening up the home user to a whole new world. Bhavin was fast to adapt to this new technology. He was a part of the IUCI, and attended conferences with Vijay Mukhee a well known name in the internet programmer circles. They collectively

networked and earned consulting assignments together. Bhavin partnered with Vishal to program extensively on Linux. From the time he wrote his first internet search query in the shell account, he was enamored with the idea of information transfer between users.

> *"It was through my early experience with the internet, that I got totally hooked on to the idea of transferring information from one location to another. I decided that whatever computer venture I start would have to do with the internet, since I believed that this would redefine the way people do business in the future", says a Bhavin with evidently great foresight.*

The Birth of Directi

By 1996 Bhavin started taking up consulting assignments, given his popularity in the upcoming technology circles. In one year's time Directi was a registered domain name. Headquartered in an Osia Friendship apartment in Bombay, it was a one-man run company. Bhavin worked long hours in that office and the kitchen top served as his workspace. One of the earliest products of Directi was a job site engine, programmed independently by Bhavin. The AI algorithm, matching and other search queries were extremely sophisticated for the age.

Despite many other technically advanced software applications written by Bhavin, revenues remained a challenge. The software required high traffic (up to 200,000 users) to work efficiently. Internet penetration and education amongst users were low (Refer to **Exhibit 3**). Through the company's early years, Bhavin learnt critical lessons in business and market dynamics. He attempted partnership with Zenith computers to market his software product through them. Despite all efforts the software failed to take off. This made Bhavin realize that perhaps his software was ahead of its time. This was a key learning for him as he realized the importance of addressing the needs of the market rather than creating an isolated brilliant product. Hence, he now shifted his focus on building something that would address immediate customer dissatisfaction.

Bhavin borrowed INR 25,000 from his father to invest in Directi's first server purchased from Alabanza, USA. Within 1.5 months Bhavin had made enough revenues to return the sum to his father and sustain future operations. Bhavin now built widely usable solutions e.g. email solutions, bundled web services, automated billing systems etc. The primary challenge he encountered was people management. Obtaining payments from clients was a hard task. But Bhavin capitalized on his network of several years of association in this field and roped in 40 clients in the first month. He proceeded to hire his first employee Kunal Sheth, a support manager.

> *"Within the first month, we had made enough to cover that and the next quarter payment. Since then there was no looking back," says Bhavin.*

In the late nineties the world witnessed the dot com boom which brought with it, easy access to capital for most internet ventures. Several venture capitalists (VC) made prompt investments in web companies. Bhavin frequented the exhibitions and conferences attracting potential clients. On one such occasion in Delhi, Bhavin remembers having sold his product at all the 60 odd sales booths in the conference.

> *"That single conference day in Delhi was the best sales day, I managed to sell 60 packages to just about every company that put up their booths in the conference!" recalls Bhavin excitedly even today.*

Web solutions were the need of the hour for most companies – big or small. Bhavin had hit bulls-eye. His client base now included companies from all over India – Bangalore, Nagpur, Bombay, Pune, Delhi etc. The year remained profitable for Directi, resulting in a net income of 500,000 rupees in 1999.

In 2001, Directi was the first ICANN (Internet Corporation for Assigned Names & Numbers) accredited company in India. Directi was now a licensed registrar to issue and maintain domain names and numbers to websites starting off on the internet (Refer to **Exhibit 4 & 5**). This accreditation required Bhavin to write a formal business plan and provide financials among other procedures.

The year 2004 exposed the impending dot com bubble. Most internet companies had shut shop in this period or ran under losses. Directi was not overly dependent on dot com companies for its business and hence managed to emerge unscathed from the dot com failure. Besides having a diverse client base, Directi also now offered other services that widened its offering base, hedging its risk in the market. Directi continued to grow at a phenomenal 120% CAGR, successfully doubling its employee strength and on track with its expansion plans.

Funding challenges were few for Directi. This was a low investment business model. In order to keep costs down Bhavin operated out of his father's flat and his computer. He accepted consultancy assignments intermittently, which served as an additional source of income. Since Bhavin successfully sold his products to over 40 clients in the first 3 months, Directi maintained positive cash flows. Monthly revenues were pumped back into the business. Apart from self sustenance, Directi also had access to venture capitalists who expressed interest to invest in Directi. However, Bhavin refrained from all external funding.
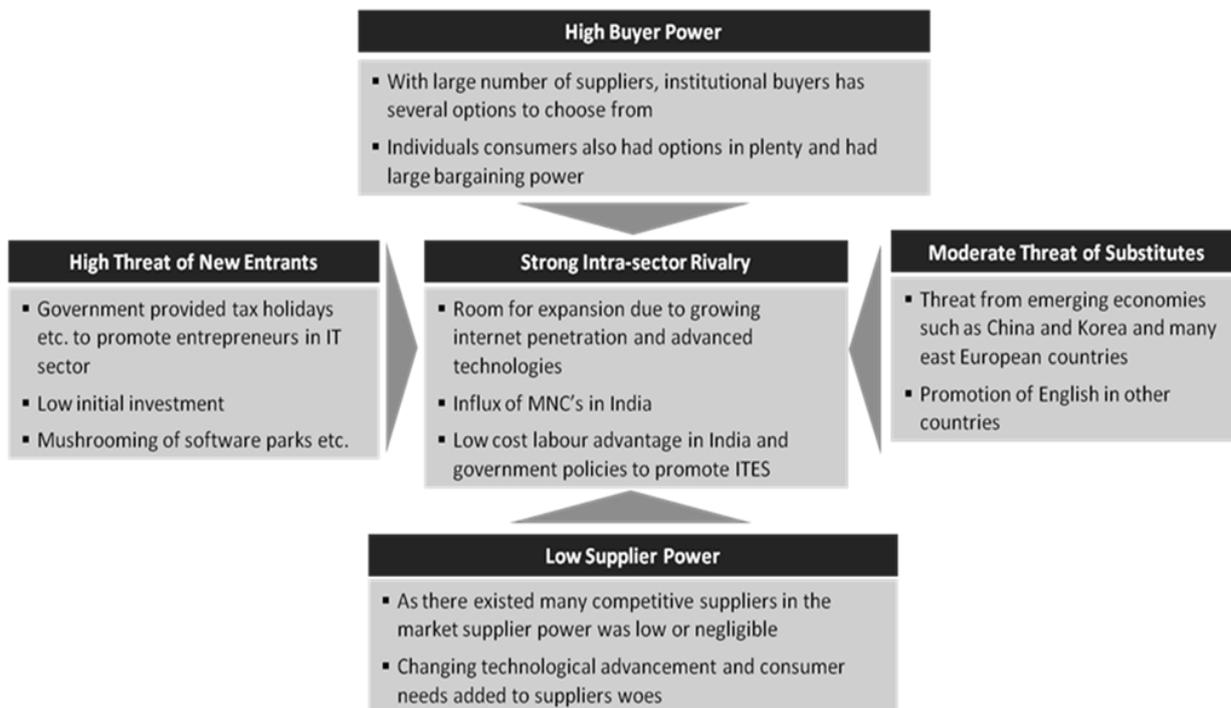

The Market Evolution

When Directi started in 1998, the industry landscape in the internet space in India was nascent. With availability of cheap labor, the country was primarily involved in IT services outsourcing from companies like Wipro, Infosys and Patni. Multinational firms like SAP just started entering the country. Niche product development players like Directi were few and rare.

The market was divided between 2 kinds of services. Pure outsourcing solutions with increasing demand and niche product / web applications provided by players like Directi. Market for web applications offered by Directi was limited. One of Bhavin's first commercial offerings, a job search site (written in ASP / PHP like web languages) was not received well in the market. Bhavin resorted to providing more fundamental solutions e.g. email forms in basic programming languages i.e. Visual Basic on Windows platform.

Refraining from entering the lucrative outsourcing business, Bhavin decided to wait for the market to evolve for the creative solutions he had to offer, an entrepreneurial philosophy he continues to adhere even today. This even meant compromising on immediate revenues in anticipation of high margin business in the future. By 2002 Web 1.0 flooded the market. Hundreds of web portals mushroomed on the internet every day. But subsequently, the dot

com burst dissolved most of these firms with no clear value proposition. Directi comfortably overcame the hurdle sailing on its solid foundation of a unique vision and strategy.

High Buyer Power
- With large number of suppliers, institutional buyers has several options to choose from
- Individuals consumers also had options in plenty and had large bargaining power

High Threat of New Entrants
- Government provided tax holidays etc. to promote entrepreneurs in IT sector
- Low initial investment
- Mushrooming of software parks etc.

Strong Intra-sector Rivalry
- Room for expansion due to growing internet penetration and advanced technologies
- Influx of MNC's in India
- Low cost labour advantage in India and government policies to promote ITES

Moderate Threat of Substitutes
- Threat from emerging economies such as China and Korea and many east European countries
- Promotion of English in other countries

Low Supplier Power
- As there existed many competitive suppliers in the market supplier power was low or negligible
- Changing technological advancement and consumer needs added to suppliers woes

Porter's Five Forces Analysis of IT Industry in India

Directi – Gaining Momentum

Having started as a domain name registrar, Directi has today grown into a group of six companies. The sustained and fast paced growth of the company from 2002 to 2007 is unprecedented (Refer to **Exhibit 1**). Its businesses have been ranked in the Deloitte Technology Fast 50 list in the last 3 years. All Directi businesses have been profitable from the start, without any external debt or investment. A December 2007 report by NASSCOM estimates its valuation at about 100 crores.

Directi's product spectrum includes the following

- Communication and Collaboration networks
- Social Networking software
- Instant messaging
- Antispam and Antivirus Solutions
- Large scale Billing and Provisioning platforms

The various different Directi businesses include

- LogicBoxes.com, supplying business automation software for domain registrars and other web service companies.
- Skenzo.com, which provides software for Internet traffic monetization
- ResellerClub.com, which supplies software products and web services such as website builder tools, web hosting and email hosting.

- Answerable.com, which provides the same products and services as ResellerClub directly to end customers around the world
- WebHosting.Info which supplies statistics and research for the web hosting and domain names industry

All Directi businesses have been doubling in revenue year after year. Headcount at Directi continues to grow exponentially every year and it currently employees' 550 people across Mumbai, Dubai, Bangalore, China and UAE. Anticipating a 5X growth in current team strength Bhavin looks forward to moving into a 25 million dollars facility with capacity of 1200+ people being designed by famous architect Hafeez Contractor.

Currently, Directi serves over a million customers across more than 200 countries. One of the chief reasons behind this incredible success is the vision that has driven Directi.

> *"Everything the Byte touches is our kingdom," says Bhavin expressing the Directi vision. He further explains the logic behind being a product based company. He says, "A custom software development company will charge a certain percentage of profit margin over its basic development cost. A products company however charges for its product on the basis of the true value derived by an end consumer."*

That's the secret formula. This value multiplied by the number of potential consumers results in greater revenue. Besides, a custom solution development company cannot reuse all of its projects. A successful product on the other hand has a perpetual lifecycle. A custom development company's revenue growth is directly proportional to the availability of continuous skilled manpower. A product company's revenue growth does not share this limitation. Thus Directi does not build customized products since that would be spreading their resources too thin. Their strategy has been to own and build products that can be used by millions of customers. They indigenously conceptualize, develop, sell and support all their products so that they can maintain quality and complete control on the execution.

India does not boast of the Microsofts and the Intels of the world. It has the Wipros and the Infosys' which are more on the service side of the IT and software equation. Since Directi is focused on Product development there are very few companies in India which are direct competition for Directi. Thus most of Directi's competition comes from the foreign waters.

Directi Fundamentals

Directi differentiates itself from other technology companies through its belief in not operating on a pure "labor arbitrage" model. Directi believes in creating value for its customers through innovative product development. They also believe in building volume based solutions to enhance its reach and utility to a larger base. Directi invests in high risk projects with promising returns. Directi does not believe on playing the low cost, labor intensive game. Instead Directi is in the high margin products business with indigenous product development only. Directi has consciously focused on a specific business strategy since its start.

> *"We provide services at the highest end of the value chain; we aren't just a backend service provider. We conceptualize products, build them and sell them. This involves higher risks, higher value, and in turn higher rewards," explains Bhavin.*

Directi prides itself in successfully establishing a business model of developing products and services based out of an Indian company in India, for clients spread across the globe. Bhavin reasserts the possibility of value creation innately within India, unlike the pure outsourcing model based on fundamental of cheaper labor.

The Directi Team

Bhavin's younger brother Divyank shared a similar educational background. After 8 months of Directi's conception, Divyank joined his brother in his venture and has been instrumental in its growth. Directi was now a 4 member organization with Rahul Monga heading sales and Jitesh Makijani, a web developer. Still functioning out of the apartment, Directi soon began to expand its employee base. By 2001, 12-15 full time employees were recruited at Directi.

Directi invested in a bigger flat near Bhavin's residence. With 27 employees, Directi operated out of 2 flats in Mumbai. The ever increasing business at Directi had caused a surge in size of the organization. In 2002 – 2003, a new office space in Malad, Mumbai was acquired. Around 90 employees were moved to these 5 new units. Soon, 20 were added. In fact, so rapid was the growth that Directi now owns the entire building. Recently the team moved into a new office building in Andheri, Mumbai.

As a small team of around 10 employees, everyone in the company was involved in all functions. As the organization grew to 40+ employees strong is when Directi was divided into specialized functions and departments – marketing, HR, Sales, Development. Subsequently, this model evolved into a further specialized model of functions within business divisions once the organization grew beyond 150 employees. Despite the growth, Bhavin maintained direct reports under him and structured a fairly flat organization. As business units spawned out of Directi, a second layer of leadership team was formed with mostly homegrown team leads and managers. Today each division has its own function teams for various activities such as marketing, bid management, HR etc.

Currently, Directi has offices in Mumbai, Bangalore and Delhi in India and International offices are located in UAE and China housing 550+ employees (Refer to **Exhibit 2**). Most expansion is on a rental basis.

> *Bhavin believes that, "At Directi, we are a business of business people and not*
> *a business of employees. Each individual is provided with information,*
> *included in decision making and encouraged to contribute to the vision."*

Learning and sharing knowledge is a primary philosophy at Directi. They have created a separate virtual institute within Directi called the Directi University. The Directi University offers several Training Courses, structured Induction Programs, Continuing Education Programs and Education Sponsorships. The open, transparent and casual cultural at Directi is one of the key drivers of its success. Bhavin's passion is contagious and employees are given flexibility to write their own software, generate ideas and live their own dreams. The vision of a young CEO coupled with the motivation of a young team is a critical ingredient in Directi's success.

> *"The best part about working at Directi is the people. Everyone is super-smart*
> *and super-intelligent. I learn something new every day, from everyone," says*
> *a Directi employee.*

Key Challenges

Bhavin emphasizes on the following as the prime challenges the organization faced in the early years. Directi continues to counter some of these challenges while maintaining its rapid growth.

Payment Realization: Through the first 2 years of business, Bhavin's prime challenge was collections of payments from clients. He recollects spending 30-40% of his time following up. Professionals at Indian companies often kept him waiting for 4 hours even when he showed up in person. Soon Bhavin realized that as a media professional, he had to lay down some hard rules. He worked with his team to build a fully automated billing system which Directi still continues to use. Bhavin innovated a solution with Transecute payment gateway, one of its first in India. Even today, Directi insists on advance and timely payments from clients. The organization also believes in strong process automation. Every scope for automation is tapped into; processes orientation has helped scalability to the levels of 10X or 100X.

Talent Attraction & Retention: When Directi began recruiting employees, it relied heavily on newspaper job postings, employee referrals and some online job sites. Recruitment is never really frozen in Directi even in the times of economic slump. Bhavin claims that he always makes room for more talent in his organization. On average Directi screens 3000 resumes per month. Bhavin believes in his employees to be the lifeline of Directi. He spends 30% of his time, even today in recruiting key positions to ensure they hire the best talent. Skill management and availability of high quality, high value professionals has been a challenge in the Indian market for Directi. Product based nature of the company demands effective communication from employees at every level of the company. Unlike service oriented companies, well documented manuals were not a substitute for lucid articulation in this business. Additionally, Directi also focuses on motivated employees, who subscribe to high business and ethical values of Directi.

Directi now hunts for talent in top 10 Indian management and 25 technical institutions. In addition to this, Directi is now looking to source fresh talent from international schools e.g. INSEAD Singapore and Paris, Stanford and Harvard.

> *"Unfortunately, total talent in top 10 Indian IT companies can deliver only one tenth the value a handful of small organizations from Silicon valley can offer to our business"* exclaims Bhavin.

The unavailability of creative talent in India required to run niche technology companies like Google and the likes in Silicon valley, has even made Bhavin consider a development center in the US. He hopes to find the high quality talent that can accelerate Directi in its creative vision forward. Ultimately, he believes the quality of the employee cannot be compromised on.

Scalability & Collaboration: The dynamics of communication and collaboration between a 50 and 500-employee organization differ drastically. Directi has evolved from the former to the latter and faced these challenges. Clear informal communication of even the most important information was easy when the team was limited and co-located to a flat. As the organization expanded, process driven approach has been creeping into the organization. Bhavin opposes this, and stresses on the importance of being a value centric organization versus a heavily process driven company. Although Directi does leverage tools and

technology – mailing lists, internal chatting system, VOIPs, documentation- to communicate to its employees, Bhavin insists on conveying the message of core values to address scalability issues. He trusts that once his employees have imbibed Directi's values, process adherence would follow.

The Way Forward

Bhavin envisages making Directi the largest global product development company in the internet space. This also includes taking Directi public in the future. In line with its plans of growth, Directi has expanded into Emerging markets e.g. China and UAE. Bhavin views these as strategic locations worth the investment in initial years of upcoming business demand. Directi plans to be a localized player in these markets when demand peaks here. Directi has customers from all over the world, but Bhavin is disappointed with the traction in Indian markets. He maintains that India will remain a special focus for Directi in years ahead. Directi is working towards establishing strategic alliances with companies in various countries to enhance its endeavor to capture the global markets in a localized way.

Faced with the recent economic downturn, Bhavin admits to reduction in revenue streams but remains hopeful. He exudes the confidence of having battled worse slowdowns, including the dot com burst, an important turning point that proved fatal to many small firms. Having emerged successfully from tough times in the past, Bhavin asserts that his investment decisions for Directi have not seen a dramatic shift due to the recent economic slowdown.

Despite his faith in Directi, Bhavin is quick to address the threats to Directi in the market. Bhavin claims that the emergence of Web 2.0 solutions have now placed top global players e.g. Google, Yahoo, Facebook and Microsoft in direct competition with Directi, a core communication, collaboration and publishing domain company. These giants share similar philosophies with Directi, fast diminishing the competitive edge Directi once possessed. Directi's efforts to counter better talent available to these firms include setting up a development center in USA. Smarter people, Bhavin reiterates are the real source of competitive advantage for his enterprise.

Reflections

Reflecting back Bhavin recollects many lost opportunities, but none he regrets in particular. Bhavin is a constant learner and believe that every day he spends in Directi teaches him something new helping his personal growth. He values the hands on experience he has gained in the last 10 years at Directi more than any classroom. True transformation in his leadership style is visible in his outlook that has changed due to an array of situations he encountered at work. Bhavin believes that the pulse of the organization lies in maintaining its core values including transparency, commitment and adherence to high ethical standards.

Bhavin maintains an open culture in Directi. Employees at all levels of the virtually flat structured organization are allowed the independence to contribute in more ways than their roles define. Bhavin considers the new perspectives brought to the table by his employees as priceless.

> *"When I considered a 40% discount on our product in order to win a new customer, I had developers who presented amazing research, surveys and competition analysis to counter the compromised product price points. I am*

> *proven wrong by someone in my organization on several occasions. And it adds to my constant learning experience." says Bhavin gladly.*

With a wide smile, Bhavin disconnected the call with the enthusiastic students and checked the time. It was 1:35am. He punched in the number of his Mumbai office to share his new idea.


Deconstructing the Directi Story

Directi started, like many other successful ventures, as an extension of the passion of the founder. After India's liberalization in 1991 the IT industry turned into "Superstar". During the late nineties, when several companies mushroomed in the IT space in India, Bhavin Turakhia created a niche for himself. It was sheer passion and courage to walk (or rather run!) the road less travelled to create a company that would service the needs of millions of customers across the world.

As we reflect back on Bhavin's fascinating chronicle we learn that his decision to become an entrepreneur stemmed from his personal goals to create a sustainable global enterprise, the support from his family and his initial team as well as the economic viability of his project due to low initial investment.

Initial Strategy and Industry Landscape
When Directi kick-started in 1998, web based services were moving from low criticality to high criticality as internet made its way into offices and homes.

On analyzing the Porter's five forces model for the IT industry in India in late nineties and early twenties shows that the industry was very unattractive with high competition and low entry barriers. However, Bhavin's ability to identify this opportunity and the initial decision to address web hosting services discontentment amongst consumers has led to the success of his venture.
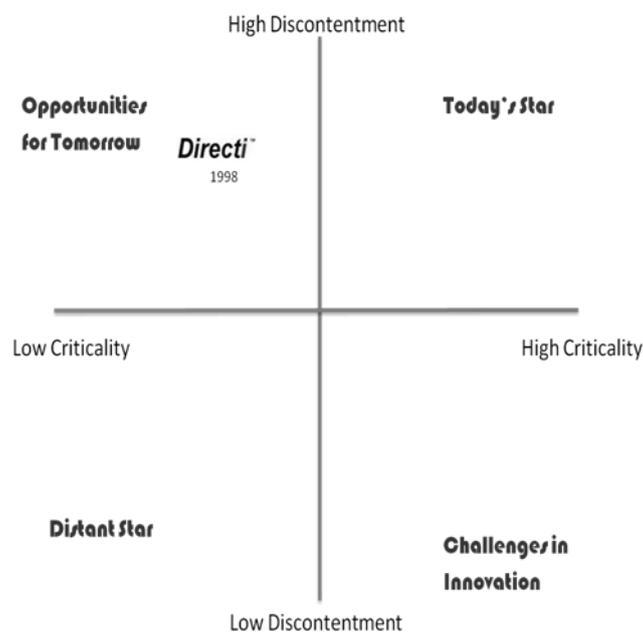
Discontentment Criticality Matrix

From the very start, Bhavin was focused on becoming a global player. As he sums up, *"We focused on volume of the business and made basic foundation level products. Also our products were global in nature."* Thus, Directi has stood tall amidst several economic downturns due to its diversification strategy in products and geographies and a clear focus on its goals.

They recognized early the vagaries of customization of products that lead to high fragmentation in the market. Moreover, the venture's revenue strategy was never based on a cost-plus-margin model but on the value generated for a consumer. It ensured that Directi grew not only because of its own innovations but also because of its customers' growth.

The Passion to "Think Big"

Thinking BIG has been the consistent philosophy of Bhavin and Directi as a company.

"If we are at a million clients today, assume we will reach hundreds of millions tomorrow. If we have thousands of employees today, assume we will have hundreds of thousands tomorrow".

A profile of more than 100,000 customers, 550+ employees and a growth rate of 120% per annum justifies this philosophy. Its products involve partnerships with suppliers, technology providers and channel partners worldwide. But, it is to be noted that the "think big" concept of the company is not blindly focused on physical expansion in terms of geographical presence and workforce. It is more towards the spectrum of consumers its products are designed for. All the products and services of Directi have a global focus and relevance by design.

While dreaming big is important, it is equally critical to stay focused to achieve that vision. Bhavin has maintained a tunnel focus on the Directi's strategy right from the day of its inception and has tried to inculcate the same within all members of the organization. Even when his initial venture failed, he did not lose the sight of the bigger picture he wanted to achieve.

A Value Driven Organization

In Bhavin's words, *"It is futile to imagine that everyone in an organization will be conversant with every aspect of it processes. We acknowledge this, and instead have a value driven philosophy".* It is an interesting deviation from the usual model of product development companies where processes are considered to be the most important yet inanimate gatekeeper of quality and product development prowess. The value driven culture of Directi, on the other hand is a more inclusive hands-on approach to product development. The first tenet of this philosophy is knowledge sharing and interpersonal collaboration inside the organization. The company has developed internal forums, specialized chat software and encourages writing and sharing of technical papers inside the organization. This leads to a more vibrant and less mechanical way of dissemination of knowledge and an accompanying standardization of quality standards that come from an understanding of the technology rather than from the non-interactive dictates of a process document. The company prides itself in preserving a "geeky" quality in its work force. In Bhavin's words, *"We thrive on innovation and creativity. We are not a backend service."*

Focus on human resources
"30% of my managers spend time in recruitment and mentoring." Directi recognized very early that it should not cut corners when it comes to developing its human resources.

When a new developer joins the organization, his mentor selects 3-5 books from a wide range and hands him the set. These are not lent, but given away permanently. They are essentially his text-books for his tenure at Directi. Since these books are given to the individual as a part of his joining process, they communicate a sense of importance. The individual understands that we treat these subjects are treated seriously when it comes to project development.

Once every 3-4 weeks various teams take out half a day to organize a workshop on any topic that the team wants. The workshop is a hands-on session involving a practical activity, and not a theory presentation by the conductor.

In addition to regular training to build skills, the company encourages submission of case studies by candidates in the domains that they want to work in. The company encourages submission on a number of fields, ranging from "How to Monetize Free Mail and Chat" to "Technologies for Corporate Photo Sharing", in which case studies can be developed. Directi has a flat organizational structure. *"Every Directian (especially Managers/Leads) must ensure that their door is always open to everyone. This is meant metaphorically, and not just in the literal sense"*, Bhavin says.

Thus Bhavin's focus on knowledge management within his team is one of the key success factors for Directi. Being a young company headed by a young CEO is reflected in the casual and flat structure at Directi that helps it foster innovation and efficient decision-making.

Role played by family
Support from loved ones is what keeps an entrepreneur going through the highs and lows. Bhavin comments that his family paid a pivotal role in supporting what he was so apparently good at. His father played a critical role in helping him develop as a well rounded student and an export at several computer languages. He had shunned the usual track of going for engineering or medical sciences to "start something of his own". Given the very young age when he conceived of his ambitions, it took a commendable amount of faith on the part of the family to invest hopes in his aspirations. His expertise in the internet domain that Directi operates in helps him continuously identify new opportunities and innovate which is also key to his success.

Key Areas of Improvement
In our analysis, as Directi continues on its growth journey, it would need to concentrate on the critical areas that can help it achieve the growth it is looking for.

- Preserving the organizational culture
  This would be a great challenge looking at the extensive growth prospects that Directi is targeting. From a 550+ employee company to a possible 1200+ company, Bhavin would need to make sure that the open, "geeky" culture does not get overrun by the influx of employees coming in.

- Expanding the product line
  Given that Directi is in a niche segment, it might be difficult to innovate and come up with newer and exciting products. Directi would need to invest more in Research and Development activities to preserve its edge in next generation products.

- Driving Volume growth
  Driving high volume would be a significant challenge from a growth perspective. Given that Directi has established its foothold in 200+ countries, it would be great challenge to drive growth in each of these geographies and this can put a tremendous pressure on the strategy for growth going forward.

- Emerging Competition
  Directi is witnessing some competitive challenges from small players in its line of business. Direct competition was Indialinks.com run by Bhavin Chandrana, Pubmarks and about half a dozen small companies, typically with 5-6 employees. One major source of competition for Directi was from its clients. Since the service provided by Directi was sourced from US, some clients chose to directly establish business with US firms. Overall, the market remained fragmented with most firms only offering piece meal solutions.

Our reflections and learning

- Tone down the product instead of changing the market.
  Most often, an entrepreneur is so emotionally attached with his innovation that he does not see that the market is not prepared for it. The usual impulse is to believe and hence fight to change the market instead of toning down the product and waiting until the full value of the innovation can be realized. An industry has multiple reasons for not being prepared for a revolutionary innovation, including inherent inertia in operational changes required, the risk of abandoning stable inefficiencies to embrace uncertain efficiencies etc. In such cases, the innovation needs to percolate the market and prove itself in stages. Bhavin's initial software was too futuristic to sell in the mass market. He immediately understood the gap and toned down his products several notches to simple services like mail service, though he knew that the real value was to be had at a much higher levels of sophistication.

- Be prepared to trade-off accepted safety nets for your vision.
  This has been an observation from Bhavin's personal choices. Coming from a traditional Indian family, a stable job and a stable life were almost traditional choices. He resisted these choices at an age of 19 years when the fruitfulness of his vision was far from verified. He exhibited a series of decisions (like joining a local commerce college instead of engineering so that he has more time to work on his ideas) that showed his focus from a very early age. We also learnt that much before the financial and business related risks that an entrepreneur takes, he has to take a risky personal decision to pursue entrepreneurship as a career choice and not as a one-time money making attempt.

- Success is as much about the people as about the technology.
  The longest time that Bhavin spent with us was when he talked about the people of his organization. This is a highly technical and innovation driven industry, but the biggest value add to the organization comes when there is a synchronization between the vision of the management and the thoughts of the work force. He acknowledges the difficulty of finding the right people and nurturing them to achieve the alignment.

- Don't get stuck with due diligence. Move beyond it.
  While due diligence is important, Bhavin has exhibited an exploratory way of gaining knowledge about the market. He went to conferences and meets and tried to sell his

products there, even when it was a one man team. The modifications in his initial products did not come in few single bursts but in a more granular way as he learnt more from every interaction with his potential customers. His learning was based on a continuous dynamics rather than one concentrated period of due diligence.

- Sell and generate revenues from day 1.
  Business acumen and some luck helped Bhavin generate positive returns right from the word go. He has thus managed to build a sustainable venture without having faced financial challenges. Lack of external funding also gives Bhavin enough flexibility to undertake efficient decisions and try out new products / innovations.

Effect on the rules of thumb that the story reinforces

- Passion is indispensable.
  Ventures have their phases where a lot of work is required with absolutely no returns in sight. It is very easy to work for returns, but such phases come very late in almost all ventures. Bhavin dedicated months to class projects to create complicated programs when only a few days were dedicated by other students. That was a period of very little returns in terms of a venture. Even after he decided to form the venture, he had worked alone for a significant amount of time without a formal business plan.

- Starting small is not an impediment.
  Bhavin started small in a very competitive industry. For the first few years, he didn't even have a team and developed software and sold them all by himself. Only after having a reasonable size of clients and understanding of their needs, he started thinking of a formal organization.

Key Takeaways

The overall learning is provided in the earlier section. However, considering that many of us might not become entrepreneurs immediately after graduation, the following lessons will be useful even in a corporate environment or during the next 5 years when a person wants to shift from a corporate job to an entrepreneurial career.

- Understand what **component of an organization's success** comes from the way its people think or aspire. The collective aspirations of the people define the character of the company. A single innovative CEO cannot do everything by himself.

- **All positive choices cannot be made at once.** Bhavin demonstrated this by trading off the prospects of a stable career by going entrepreneurial at an early age. This breed of entrepreneurship is different from the one when a successful professional who already understands a particular market turns entrepreneurial. Risk taking often means taking risk in the current choice including giving up security in the choices that are abandoned.

- **Revolutionary technology may not always be needed.** Keep a pulse on what the customer needs. Even simple value additions can benefit organizations. Capitalize on the incremental innovations as much as or more than disruptive innovations. Very few disruptive innovations come in single bursts. Most evolve from small beginnings. The internet is an example.

- **Keep costs low from the beginning.** Apart from the initial debt of 24,000 rupees from his father, Bhavin has managed his funds independently through Directi's revenues. Self-sustenance is a key driver to maintain low costs. Every small cost saving initiative in the organization can go a long way. Focus on cost cuts from the early days. Even capital-intensive businesses have scope for cost improvements through rigorous optimization.

- **Patience is a virtue**. When Bhavin started off, the market was not ready for the advance solutions he offered. Bhavin waited for market evolution and found alternatives to stay in business as the market seasoned. "It was about being in the right place at the right time" said Bhavin about his success. Sometimes the time has got to be just right. Be ready to wait for the right time before reaping the benefits.

Entrepreneurial spirit amongst young Indians will play a critical role in charting India's development story. Unraveling the story of Directi and the dynamic leadership of Bhavin has truly inspired us to tread the challenging and exciting path of entrepreneurship.
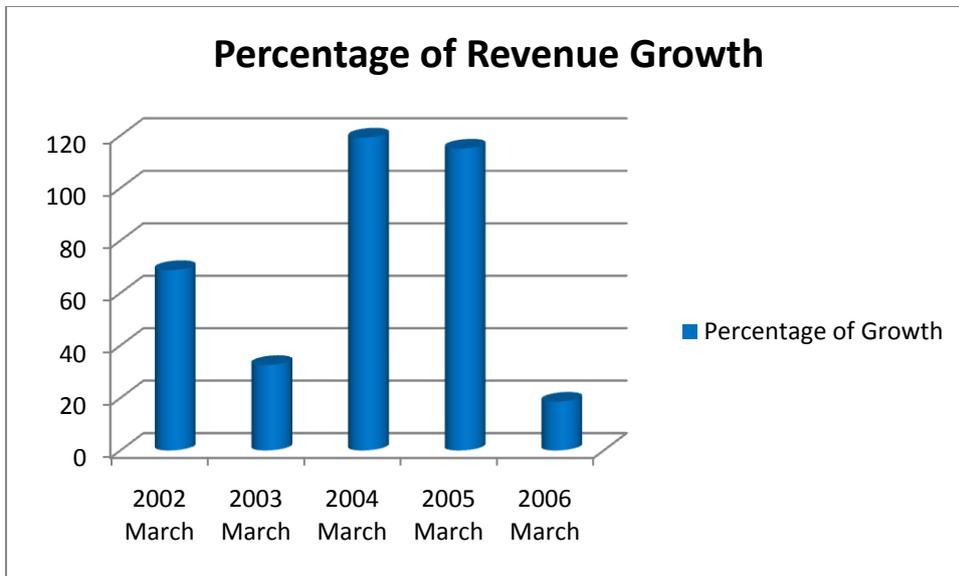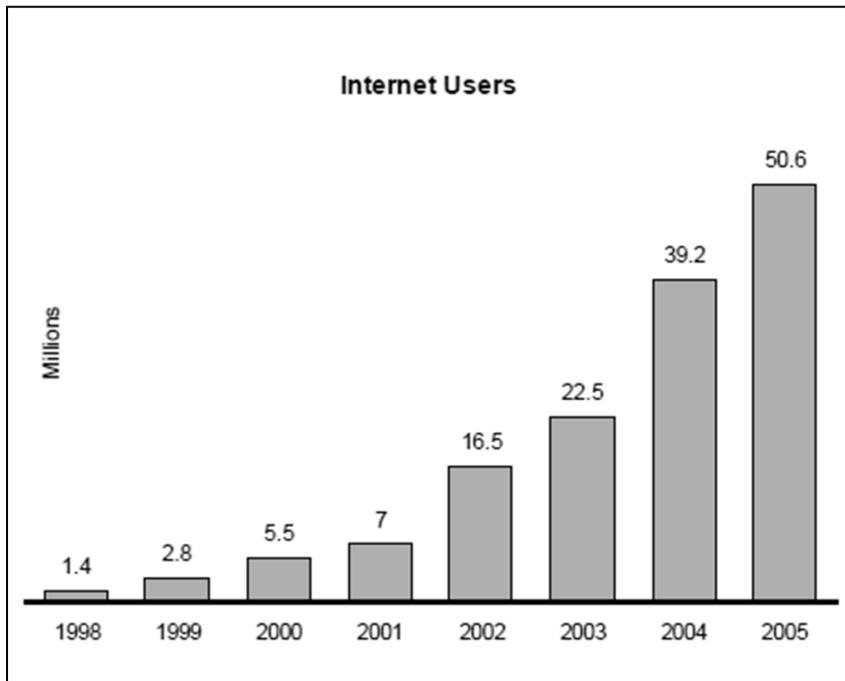
EXHIBITS

Exhibit 1

Exhibit 2

Exhibit 3

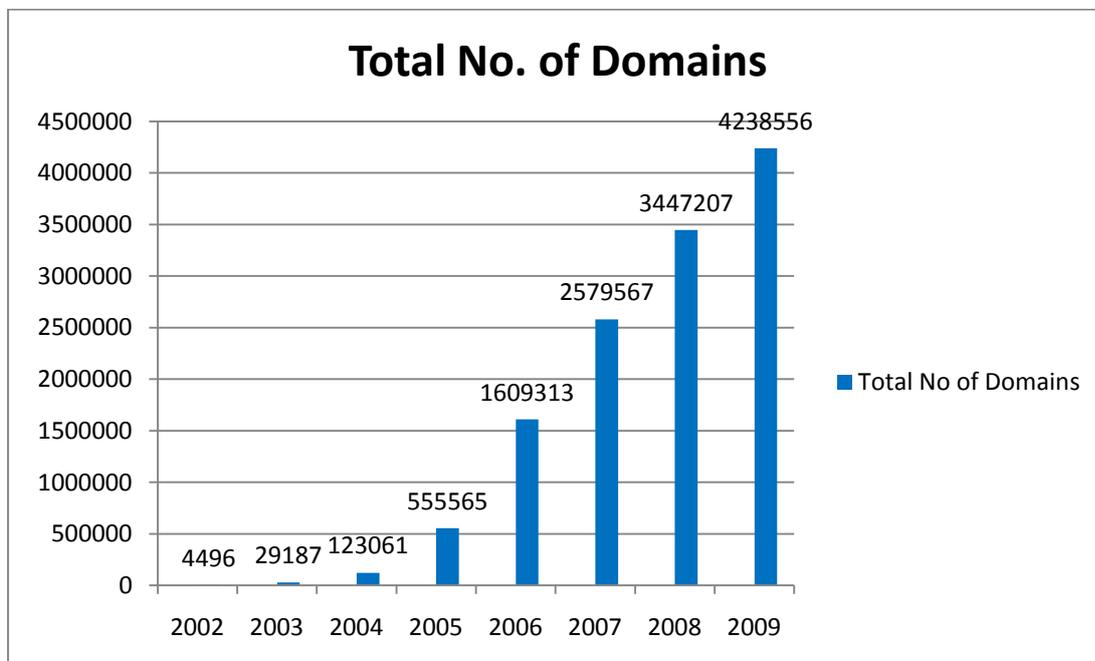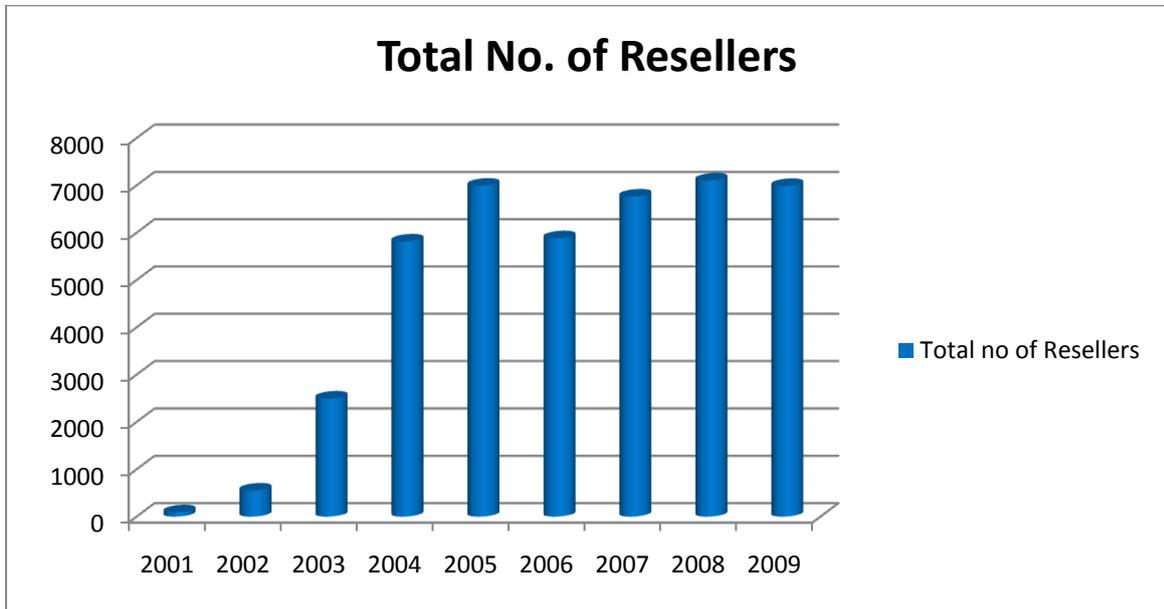**Source:** Industry News and Reports, Zinnov Analysis

Exhibit 4

Exhibit 5

Total No. of Resellers

@Directi

Open and casual workplace

Emphasis on knowledge sharing

Leveraging Technology

Work Life Balance

Directi UAE

Directi China

Sources:

The case write up is based on interviews with Bhavin Turakhia, CEO, Directi and information collected from Directi employees.

We have referred to the following links:

- http://www.directi.com/about/corporate-profile

- http://bhavin.directi.com (Blog)

- http://twitter.com/bhavintu

- http://directi.com/about/vision

- http://directi.com/about/strategy

- http://www.directi.com/products/

- http://www.directi.com/press/

- http://careers.directi.com/display/CAR/Why+Directi

- http://careers.directi.com/display/CAR/Work+Culture

- http://www.flickr.com/photos/directi