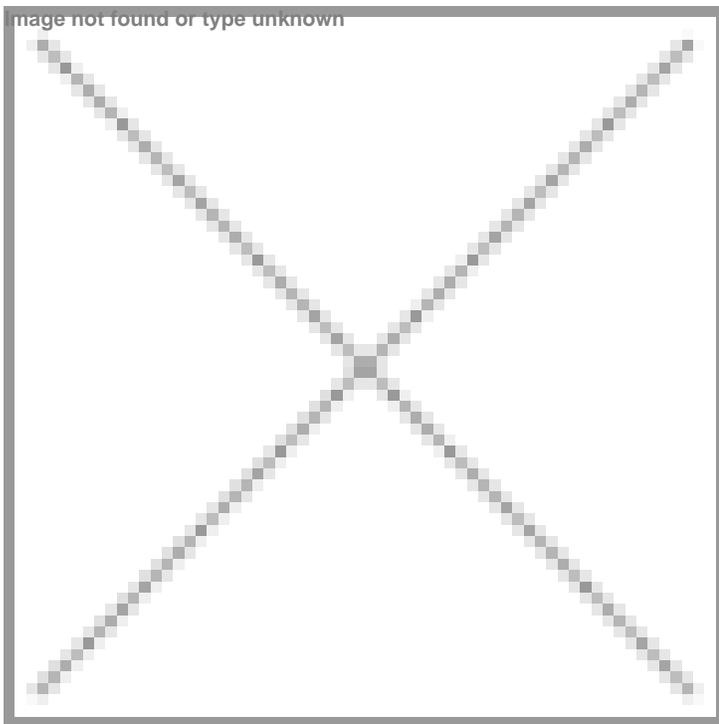


Navigating The Thin Line: When Entrepreneurial Passion Meets Corporate Responsibility

01 September 2023 | Views | By Dr Vishal Gandhi, Founder & Chief Executive Officer, BioRx Venture Advisors & Indian Healthcare Angels

The surge in capital investments in India's healthcare sector has presented immense growth opportunities, but it has also underscored the need for robust corporate governance



Success in a startup is not merely measured by financial metrics. While Monthly Recurring Revenue (MRR), Customer Acquisition Cost (CAC), and Lifetime Value (LTV) are important, they don't paint the entire picture. Crucial elements like Employee Satisfaction Score (ESS), Net Promoter Score (NPS), and Social Impact Score also carry significant weight in determining a startup's true value. The health of an organisation extends beyond its balance sheet. It permeates into the satisfaction of its employees, the loyalty of its customers, and the positive impact it exerts on society. Therefore, a startup's success should also be gauged by these critical non-financial factors.

Furthermore, startups should never underestimate the value of understanding and learning from key failure metrics like Churn Rate and Burn Rate. These metrics, which essentially measure customer attrition and cash expenditure, respectively, are crucial in identifying issues and fostering a sustainable growth model. Repeated mistakes can be costly for a startup, especially in the early stages when resources are scarce. Therefore, paying heed to these warning signs and taking corrective action can mean the difference between the startup's survival and its premature demise.

For startups in niche sectors like healthtech and agritech, industry-specific metrics are crucial. Patient Engagement Rate, Patient Acquisition Cost (PAC), and Health Outcome Improvements (HOI) can provide vital insights for healthtech startups. These metrics highlight the effectiveness of the company's products or services, the cost efficiency of acquiring new patients,

and the overall improvement in patient outcomes, respectively. For agritech startups, Crop Yield Efficiency, Sustainability Score, and Farm Operations Efficiency become key indicators of success. These metrics help assess the effectiveness of farming practices, the impact on the environment, and the efficiency of farm operations.

One critical element often overlooked or misrepresented in the startup journey is the Total Addressable Market (TAM). TAM refers to the total revenue opportunity available for a particular product or service. However, entrepreneurs can sometimes inflate this number in their business plans, leading to a significant discrepancy between expectations and reality. This misalignment can be detrimental, causing flawed business strategies, misallocation of resources, and unrealistic growth projections. Therefore, startups need to adopt a more realistic and grounded approach to assess their TAM accurately, which includes rigorous market research and careful analysis of industry trends and competitive landscape.

Navigating the world of entrepreneurship often involves a delicate balancing act. On one hand, you need to keep the original idea – the heart and soul of your startup, alive and thriving. On the other hand, you have the responsibility of utilising capital wisely to generate a solid Return on Equity (ROE). This calls for a creative yet responsible use of resources, ensuring that the startup grows without losing sight of its founding principles.

Unit economics refers to the direct revenues and costs associated with a particular business model expressed on a per unit basis. Understanding unit economics is crucial for startups as it offers insights into the profitability of the business model. By maintaining a focus on unit economics, startups can ensure sustainable growth and profitability.

As we traverse the challenging landscape of entrepreneurship, let's keep the flame of passion burning brightly, while also maintaining a laser-like focus on responsible corporate governance. Let's value our employees, strive for profitability, and ensure that the original idea remains at the core of everything we do. After all, it is this delicate balance that will ultimately determine the success of our startup.

Governance perspective on healthcare

The healthcare sector in India is in the midst of a significant transformation, driven by factors such as a rapidly aging population, rising disposable incomes, increased health awareness, and technological advancements in medical science. This has led to an increased demand for high-quality healthcare services and innovative solutions, making the sector a highly attractive investment destination. However, as the sector grows and attracts more capital, the importance of sound corporate governance cannot be overstated.

Historically, the Indian healthcare sector has been largely fragmented and heavily reliant on the public sector. However, over the past decade, there has been a gradual shift towards private healthcare and wellness initiatives. This transition has brought in significant capital investments from both domestic and international investors, causing a rapid expansion and evolution of the sector. With the influx of capital, the sector has begun to see an increase in corporatization, leading to a more structured approach towards healthcare delivery. However, this rapid growth and corporatisation also necessitate the need for strong corporate governance practices to ensure accountability, transparency, and ethical conduct.

Good corporate governance is crucial for any business, but it is especially important in the healthcare sector due to its inherent complexities and the significant role it plays in people's lives. Corporate governance in healthcare is not just about financial management and regulatory compliance; it also entails safeguarding patient rights, ensuring medical ethics, and delivering quality care. As the sector continues to grow and evolve, healthcare providers must prioritise strong corporate governance to maintain trust, mitigate risks, and drive sustainable growth.

Moreover, the current wellness trend sweeping across the country further underscores the need for good corporate governance in the sector. Today, people are more proactive about their health and are increasingly turning towards wellness and preventive healthcare. This shift has opened up new avenues in the sector, including digital health, telemedicine, health and wellness apps, preventive screenings, and more. As the sector diversifies and moves towards a more patient-centric approach, the role of corporate governance becomes even more crucial.

In conclusion, the surge in capital investments in India's healthcare sector has presented immense growth opportunities, but it has also underscored the need for robust corporate governance. By adopting and maintaining strong corporate governance practices, healthcare providers can ensure ethical conduct, build trust, deliver superior patient care, and ultimately, contribute to a healthier and more prosperous India.

Governance perspective on Agritech, Cleantech and EdTech

In the agritech sector, innovations are empowering farmers with data-driven insights to increase productivity, reduce waste, and manage resources more effectively. With the rising concerns over food security and the impacts of climate change on agriculture, agritech startups are becoming crucial players in the global agriculture industry. However, as these startups attract more capital and grow, corporate governance becomes essential to ensure responsible use of technology and data, fair treatment of all stakeholders, and adherence to regulations and ethical standards. Corporate governance can help agritech companies balance their goals of profitability and growth with their responsibility to farmers, consumers, and the environment.

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