

Money always comes with strings attached

[Economics](#), [Money](#)



We live in an ecosystem wherein startups feel that getting marquee investors and VCs on board can give them an edge over others in the industry. But, Umayalpuram-born Sridhar Vembu, Founder and CEO of Zoho Corp, has shrugged VC money from the very beginning of his journey. In an interview to Entrepreneur, Sridhar opened up about his experience of declining VC money 15 years ago and the challenges of a bootstrapped company.

Zoho is a cloud platform with all the necessary applications to run a business entirely from the cloud. Businesses can acquire and manage customers using Zoho's marketing, sales and customer support applications and can then empower employees to create, store and distribute content on the cloud with Zoho's productivity and collaboration applications.

Starting out

In the early '90s, I was working at Qualcomm in California, US. At the time, I was staying with my brother, Kumar. Whenever we went shopping, we would notice shelves adorned with products from all across the globe. More and more Taiwanese products could be seen (Taiwan being such a small country), but not even one from India. And that bothered us a lot. So, we decided to do something about it. It was how AdventNet was founded in 1996, and ever since we have built all our products from India.

While everyone chased funds, he managed to say NO to VC money, why?

Liberation! Zoho is a company that defines freedom. Why give outsiders a chance to dictate anything? Money always comes with strings attached. I'm a free thinker and free thinking has helped us come a long way, and

every step of the way matters. For instance, Zoho. com was a project that turned to reality.

Here, we operate the way we want to at our expense. We are not bound by quarterly numbers. Besides, software is not capital intensive.

Bootstrapping isn't that difficult

It's not difficult to build a bootstrapped company considering the cost of technology is extremely low. However, to bootstrap a company, it isn't the capital that is important, but the sense of sustainability of the business. A lot of companies that wish to bootstrap would have to go through a lean phase to get to a certain point where they make enough profit to sustain themselves. And it's important that they go through that phase to learn and realize how they wish to progress. It is absolutely vital to have a well-thought-out plan, especially when it concerns a product company. The product should be a solution and not a barrier. Once that is sorted out, you're pretty much good to go.

Challenges of being bootstrapped

The criticality of diversifying was a big decision that we had to take. We started WebNMS first and we had over 150 customers. However, in 2000, we faced the dotcom bubble burst and only three of our customers survived the bust. This is when I realized that we cannot rely on one market. We diversified, and thus, ManageEngine, which provides IT management software, was started in 2003. We diversified again to enter the cloud market, and Zoho. com was started in 2005. It was around the same

time that some of our co-founders moved on to take up their own projects. This was, therefore, an important time of transition for all of us at Zoho.

Saying NO to VC money 15 years ago

We were approached by a VC about 15 years ago and that was the last time I ever thought of even considering the option. The agreement had a clause which said that within seven to eighty years, we have to guarantee an exit or liquidity for the investor. When I asked him about it, he told me that it was a “pretty standard clause”. But there was no way that we could guarantee that. It was in that fortunate moment, that I decided that Zoho would remain bootstrapped.

A business can choose to run the entire Zoho suite or just a single application. Zoho applications are available directly through zoho.com, or through an ecosystem of hundreds of worldwide Zoho partners. Zoho is a division of Zoho Corp., a privately-held and consistently profitable company, with more than 4,000 employees. Zoho is headquartered in Pleasanton, CA with international headquarters in Chennai, India and offices in Austin, London, Yokohama, and Beijing.

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