



## The Accidental Entrepreneur: Atul Jain, Founder and CEO of TEOCO

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*It's not too surprising that some businesses are actually thriving during the downturn. A case in point: software and services house TEOCO, which helps other companies cut costs and streamline processes. Set up 15 years ago in Virginia by a young entrepreneur from India, TEOCO counts all the major U.S. telecom companies as clients and is now drawing up a new growth blueprint, which includes both organic expansion and global acquisitions.*

*Not that TEOCO's success has come easily for Atul Jain, the firm's founder and CEO. Shelving plans for a career in academia, Jain started TEOCO (which is short for The Employee Owned Company) after immigrating to the United States, earning a Master's degree in computer science and working for software company TIBCO in California. In an interview with India Knowledge@Wharton, Jain discussed his upbringing in Kolkata, his decision to not attend India's prestigious Indian Institute of Technology, and the lessons he has learned about entrepreneurship.*



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*An edited transcript of the interview follows.*

**Knowledge@Wharton:** I'd like to start by talking about your company. TEOCO's core business provides telecom carriers with software that enhances cost, revenue and routing management. In today's economic climate, this kind of technological help is presumably in high demand. Have you seen an increase in business?

**Atul Jain:** Our core business is cost management [for] telecom carriers. We add value through our software, services and expertise [by helping clients] reduce the cost of using other people's networks, which translates into operating profits. Given that we have such a direct impact on operating costs and profits, we are able to quantify the value we add. In a climate in which revenue is not growing much, there is a lot more pressure on people, and cost management is a bit more [important]. That's where TEOCO comes in.

The difficult economic climate is favorable for us. A lot of good talent is available; not a lot of companies are hiring [and] we are seen as a very stable company, a place where people want to be because they feel this company is run with a degree of fiscal discipline. In the current climate, we not only are one of the companies that is still hiring, but ... we have become a much sought-after employer, particularly with people who have expertise in our core niche.

**Knowledge@Wharton:** Could you tell us more about TEOCO's core niche?

**Jain:** A small number of people know how to audit telecom bills. Nobody teaches this at school. [Among those who] have a good, strong, deep expertise, most see TEOCO as the industry leader. They want to hang their hat where other talented people do, where there's a lot of positive success [and] stability. It's easier for us to retain people.

**Knowledge@Wharton:** The recession seems to be helping your company. Are you seeing other trends?

**Jain:** There is [another] dimension to how the economic climate is playing in our favor: acquisitions. A lot of companies cannot raise capital and are not profitable. If they can't raise capital and are not profitable, they're not able to succeed and survive. As a result, opportunities to acquire good businesses at relatively attractive prices [are increasing]. It is a very positive climate in which to

## **find complementary products and services and make acquisitions.**

[Difficult] economic climates invariably play to our advantage. When we were in another difficult economic climate in 2000 and 2001, we found similar [advantages]. But the intensity of the climate today is much greater. By way of example: I'm a generally helpful guy and I have a lot of people approaching me when they need help, particularly in terms of employment. I've had more people approach me in the last 12 months than in the previous 12 years combined.

**Knowledge@Wharton: Has the current climate forced you and your leadership team to rethink the next steps for 2010?**

**Jain: We are taking a bit more of an aggressive posture in terms of growth, looking at acquisitions a little more aggressively than we did earlier. We did an acquisition in October 2008 and we thought it might be up to two years before we looked at other acquisitions. Now, we are looking at another acquisition.**

**Knowledge@Wharton: How has the downturn affected business in your global locations, specifically the United Kingdom and India?**

**Jain: We don't have a very big presence in UK yet. We have a [small number] of clients and employees there. In India, there was a brief period when the downturn was as strong as in the U.S. It was very difficult for people to find jobs, particularly new graduates. The IT downturn in India was pretty serious. But now, India is starting to come out of the downturn much faster than the U.S.... Within three to six months, India will be on an upswing again. It will probably take a bit longer for the U.S. to get back on its feet.**

**Knowledge@Wharton: What is the story behind the name of the company?**

**Jain: When I started the company, the original name was Strategic Technology Group, and the abbreviation was STG. After I'd been in business for two years, I found hardly anybody could remember the name. If they tried to remember it, they were confused whether it was ATG or KTG or BTG or CTG. There were a lot of three letter acronyms in the Washington, D.C., area. There also happened to be another company called STG.... I tried to think of different names, but the challenge was that every domain name I thought of was already taken. Out of frustration, I invented a word. I was studying SAIC [a Fortune 500 technology company] and its tagline is: An Employee Owned Company. It occurred to me to call the company TEOCO, The Employee Owned Company. It rolled off the tongue. It has been a memorable name.**

**Knowledge@Wharton: Historically, your client base has been telecom carriers. How would you characterize the sources of the company's sustainable competitive advantage? How do you defend against upstarts?**

**Jain: Our advantage is that we have a very broad client base and deep penetration into that client base. Our technology is deployed at every major carrier in the U.S. That gives us a certain degree of credibility in the marketplace. We've been [in business] for over ten years. We have proven ourselves. It's not that easy for somebody to displace us because we have a degree of credibility among the client base.**

Our technology is mature [with] a tremendous degree of know-how built in. From time to time, we have to upgrade the look and feel of it to keep it current with emerging technology trends, but the amount of know-how built into the technology is phenomenal. It's not that easy to replicate. At the end of the day, people want to be sure that it is a tool they can use, it gets the job done and it saves them money. Our market presence, business knowledge and expertise give us a tremendous degree of competitive advantage.

**Knowledge@Wharton: In addition to technology, you offer professional services and training. How do they dovetail with your core product offering?**

**Jain: It depends on how you define professional services. If it's as hourly-based consulting work, we hardly do any. If you broaden it to include, for example, hosting client solutions in our data center**

**and doing all the IT-related work [around our product] as well as importing invoices into the system, we do a lot. Most of our clients are hosted in our data center. Some of them ask us to process bills on their behalf or audit their bills on a contingency basis so that we only make money if we save them money.**

**Knowledge@Wharton: Are there any plans to expand into other areas of the world beyond the U.S., UK and India?**

**Jain: Our headquarters are in Fairfax, Virginia. A little over half of our employees in the U.S. are based in there. But we have offices in many parts of the country, including Rochester, New York; Howell, New Jersey; Atlanta and Kansas City. We primarily [open offices] where the expertise is. If we have a unique expert who cannot move to Fairfax, we are willing to hire that person in the location he or she happens to be in and build a team around that expert....**

Our UK presence is limited, but I believe it's going to grow. In India, we have two offices, in Kolkata and Bangalore.... Kolkata is where I grew up. When I was 11 years old, I moved there [for school] and I was there until the age of 20, after which I moved to the United States. Even though I have no family [in Kolkata] and I've never really lived there other than in a hostel, for me, if there is a place I call home in India, it's Kolkata. It's where I feel comfortable, where I have friends, where I have relationships.... I know the people [in Kolkata]. I understand them. I understand their culture. I understand their drivers. I speak the language. Candidly, it has given me a tremendous amount of joy to go back to the city where I grew up and create opportunities for people. More than half of the Kolkata office has been referred to me by some introduction or relationship. I've been able to create opportunities for people who otherwise may not have such attractive opportunities.

We recently opened an office in Bangalore around a few talented people we wanted to bring on board. That office is also going to grow, but at a slower pace than Kolkata.

We intend to take our business international. Part of that will happen organically, but a tremendous amount is going to happen by acquiring companies with a significant international presence because acquiring international clients one by one is very time consuming and expensive. We believe there are attractive companies that have developed an international client base in related fields so that we can bring their products and technology into our fold. That means we not only gain a client base to whom we are able to sell our existing products internationally, but also can sell their products to our existing customers.

**Knowledge@Wharton: How have your Indian roots played a role in your experience as a professional, entrepreneur and founder of a successful company?**

**Jain: I came to the U.S. in 1981. I was a young man who was 20 years old and had a Master's degree from the Indian Statistical Institute. I had come to the U.S. for my PhD at the University of Illinois at Urbana-Champaign. I was absolutely raring to go. Being an entrepreneur was the furthest thing from my mind. I didn't even know what the word meant or how to spell it. In fact, my dream was to be a teacher. I did everything in my life to avoid being a businessperson, an engineer or anything related to making money. I had this feeling that I wasn't born to make money, and my goal in life was to teach and coach. I made many choices in my life early on, like my mother wanted me to be a [civil servant with the Indian Administrative Service] and I refused to even sit the exam. When I got admitted to the Indian Institute of Technology, I didn't go. Instead, I chose to go to the Indian Statistical Institute where I felt I could do more research, teaching and coaching.**

When I came to this country, I was into my research. Somehow my life took a very different turn. I got involved in a game of cards called contract bridge. I started playing at a lot of bridge tournaments all over the country as part of an organization called the American Contract Bridge League. And somewhere along the line I lost my academic interest. Five years later, when I woke up, my life had gone nowhere and I had to decide what to do. Computers were everywhere, and my brother, who was in this country by that time, advised me to go into this field.

My good friends said, "Atul, you can go without a formal education but it'll be helpful if you got one." In spite of having been a student for so many years ... I went back for a Master's degree in computer science so that I could have a solid foundation. I was fortunate to get admitted to the computer science department

at Urbana-Champaign, which was and is one of the top five schools in the country. I was admitted because of my strong academic and math background, even though I did not have a strong computer science background.

When I graduated, I went to California to look for a job. That's where my brother was. I found a job in a company called Teknekron Corporation. In [one of the job] interviews, Dr. Steven Levitt asked me if I was interested in being an entrepreneur. I had no clue why he was asking me that and what he meant. He said, "We see entrepreneurial skills in you. We see you as somebody who has good knowledge of computer science, math and statistics, and a fairly good, aggressive, outgoing personality. We might have an opportunity to give you a chance to bring a technology called CART (Classification and Regression Trees) from the university to the marketplace."

That's the first time I really heard the word entrepreneur. The interviewer planted a seed that never quite went away. One day, about a year and a half into my tenure at Teknekron, they gave me an opportunity to build a business around CART. It gave me a brief taste of what it meant to be entrepreneurial. Very soon I found out that I did not have the experience and expertise to build and grow a business.... They gave me a chance and I struggled. I was smart enough to realize that I'd rather be successful at something small than fail at something big. I said to myself, "I'll go back and be a peon. If I'm meant to be an entrepreneur, my turn will come again when I am better prepared."

I worked for another five years for a subsidiary called Teknekron Software Systems, which is TIBCO today. The CEO was an Indian entrepreneur by the name of Vivek Ranadive. I learned a lot from Vivek and several other members of TIBCO's leadership team. By the time I left the company, I gained the experiences necessary for me to have a shot at building a business on my own. I left TIBCO to start Strategic Technology Group.

In the early days we used to say, "We'll take care of our employees, they'll take care of our clients and that'll take care of the business." That was slightly in response to my experience at Teknekron, which was an extremely good, successful company. It did a pretty good job of treating its employees well. However, I felt they always acted in the best interest of the business: The [company] was always first, clients second and employees third. For example, it focused on taking care of clients only if a project was in a crisis and [the company] was at risk of losing the project. The technology was great, [the job] paid well and it had great benefits. Everything about the company was good, except that I felt it was business first, clients second and employees third.

I also remember [individual performance] reviews never happening in a timely manner in my years at TIBCO. I said to myself, "It can be done differently." I set out to build a business on a model that focuses on aligning employees, clients and community.

**Knowledge@Wharton: On this last point, how have your Indian roots played a role in that philosophy?**

**Jain: There are two key points I want to make in terms of my Indian roots and the impact they have had on who I am as an entrepreneur and businessman. The first goes back to culture and values. I grew up in a household where my father taught me honesty and integrity. It was really important to me that I live up to a positive set of values. It was less important where I got to, more important how I got there. Being honorable was a priority. My roots gave that to me.**

India doesn't have a [stranglehold] on ethics and integrity. In fact, there's a lot of unethical behavior in India. One of the reasons I did not wish to be in India is the widespread corruption. The sense of values and purpose instilled in me from my childhood were very strong. I attribute it to my Indian heritage even though I don't claim that Indians have cornered the market on being honorable and ethical.

There's [another dimension to the company] that [involves] my Indian roots which hasn't come up [in our conversation yet]. Part of business success is cost management. We never let expenses get out of line with revenue. The way I explains this is: think of your revenue as an 18-wheeler truck on a highway. It's like a large truck. Then there is another truck right behind it, another 18-wheeler called expenses. Sandwiched between the two 18-wheelers -- revenue and expenses -- is a little Volkswagen called profit. If the revenue truck slows down and the expenses truck doesn't, the Volkswagen gets crushed. If the expenses

truck speeds up and the revenue truck doesn't, the Volkswagen gets crushed. I love my Volkswagen. I don't ever want it to get crushed.

At TEOCO, we have a tremendous degree of discipline when it comes to making sure our revenue and expenses are aligned. Not spreading your legs out further than your quilt is a bit of an Indian discipline. In the India I grew up in, people didn't like to go into debt. We don't like to spend money we don't have. If we have ten rupees, we are willing to invest one or two rupees and keep the other eight in our pockets. I have used the same discipline to run and grow our business.

In the beginning I wouldn't hire an employee until I had six months of his salary in the bank, because I wanted to make sure that I wasn't playing with people's lives. If the company had tough times, we could weather them and pay our people. The discipline of cost management comes from my Indian upbringing, my value of money, my views on debt and making sure that we don't spread our legs out further than our quilt can cover.

**Knowledge@Wharton: When you came here in 1981, worked in California and then started your own company, did you draw on the Indian diaspora in the United States to grow your ventures?**

**Jain: One of the influences in my life has been the CEO of my first company, Vivek Randive. I learned a lot from him. I still consider him to be a mentor. My brother has always been of tremendous support to me, too.**

**Knowledge@Wharton: Could you tell us about your brother?**

**Jain: My brother is a year older than me. He came to this country about a year after I did and I started TEOCO before he ventured into entrepreneurialism. I started TEOCO in 1995 and my brother started a company called Infospace in 1996. Infospace became an extremely successful company -- in fact, it went public. My brother is a phenomenal entrepreneur and businessman. He grew his business in a manner that I never imagined possible. At times I learned from what he did right, at times I learned from what he did wrong. In his first business, he did not focus as much on profitability as on revenue growth. I learned that revenue growth alone cannot create a successful business.**

By the same token, I learned from his aggressiveness and ability to cut deals. I was always envious and wished I were as good as he was in business development, cutting deals and making acquisitions. I have become a bit better at those things over the last few years. But I have nowhere near the skill set that he possesses. He also has been a tremendous support to me whenever I have needed some door opened.... In fact, he provided the introduction for one of our board members.

**Knowledge@Wharton: Did you ever leverage the Indian diaspora in the U.S. in a more general way?**

**Jain: I don't know whether I've leveraged the Indian diaspora to its fullest. I don't think I have used Indian diaspora in a huge way other than what I've mentioned. We do have many Indian employees. I'm good friends with many of them and many of them have been key contributors to the business. Today if we want to hire a software engineer, of the ten candidates we might [interview], chances are 80% to 90% of them will be Indians. A sizable portion of our software development team is in fact Indian.**

**Knowledge@Wharton: What kind of advice would you give an entrepreneur who's maybe looking to enter into the space that you're in?**

**Jain: Every entrepreneur needs to understand why he or she is getting into business. What is the purpose and what are the values? If an entrepreneur wants to start a business with making money as the primary driver, I would advise against it. I have seen a lot of people get into business with that as the primary goal. It doesn't work as well as if you have a passion....**

Sometimes people tell me, "I want to be my own boss." I tell them that when you become an entrepreneur, nothing could be further from the truth. Every single employee is your boss because if they leave, you have nobody to do your work. Every single client is your boss because they tell you what to do. When

you work for a company, you typically have one, maybe two bosses. When you're an entrepreneur, everybody wants to tell you what to do. Your employees will tell you what to do, your clients will tell you what to do, even your vendors will tell you what to do.

The good reasons to get into business are because there is a passion, something that makes you want to make a difference to society or something you do really well. You have to have a clear understanding of that and you have to clearly articulate that in writing. You have to have a clear sense of purpose and values. If you articulate that sense early on, your chances of being successful are that much higher, and if and when you are successful, it will be aligned with what you want to be.

It was clear to me why I was going into business -- to prove to the world that nice guys don't have to finish last, that you can build a successful business on a set of values and principles. We defined TEOCO's core purpose as advancing principled entrepreneurship.... Our four values are alignment with employees, clients and community; integrity, honesty and respect; acting with courage; and drive for progress through a sense of ownership. We try to live up to our core purpose every day. It's a tremendous guiding light for me. That's my number one advice to an entrepreneur.

My second piece of advice is to have courage. The role of courage in business literature is not talked about much. Courage has an extremely important role to play in an entrepreneur's success. It takes a tremendous amount of courage to go into business and it takes a tremendous amount of courage to stay in business. It takes a tremendous amount of courage to stay true to your values because people will challenge them and ask you to compromise them to create a successful business.

A key secret to my success is that I have been very courageous. I have always been willing to walk away from what I wanted and I believe it has really enhanced my ability to get what I want. I have created a law called Solomon's Law, which states: To get what you want, you have to be willing to walk away from it. It gives you a sense of perspective and distance on sustainable terms.

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