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The Study of Factors influencing Startup Phenomenon

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Startup is a disciplined entrepreneurship that comprises a set of constructive steps leading to a successful innovation-driven business (Aulet(13), 2013). Entrepreneurship success is about what one is best at doing for a longer period and is passionate about. Having an idea, a technological invention or merely a passion for something can initiate a business (Aulet, 2013). Startup India is an initiative of the Government of India and the campaign was first announced by Prime Minister, Shri Narendra Modi during his speech on 15 August 2015. In the Indian business scenario, as being facilitated, by the government there are a variety of initiatives that are being taken by the Indian youths. In this decade it has been observed that many startups are initiated in which some of the startups failed to reach the blossom stage. In this context it becomes imperative to understand factors that are inhibitor

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and enabler for startups. At initial stage, these startups are formed based on brilliant ideas and grow to succeed. The startup phenomenon has been delineated in the management, organization and entrepreneurship theories. As mentioned above Indian startups are struggling for existence. The objective of the study is : first, to identify inhibitor and enabler factors in the process of building a startup. Second, to recommend solutions to accelerate the startup process. This paper will address the startup phenomenon, the factors influencing it and the strategies adopted to accelerate the growth of Indian startups. The study concludes with the finding, suggestions and recommendations for the betterment of Indian startups.

[**Keywords :** Startup, Economy, Inhibitors, Enablers]

1. Introduction

In the past decade, startups in India have received much attention. Their numbers are on the rise and they are now being recognized as an important engine for growth and job generation. The role of startup in India is to generate impactful solutions and thereby act as a vehicle for social and economic development. At present government has made various efforts to support startups. The flagship initiative, "Startup India", was initiated by our hon'ble prime minister Mr. Narendra Modi in the year 2016. The agenda was to build a sustainable ecosystem that can act as a catalyst for the growth of startup businesses and which will in turn able to boost sustainable economic growth and development leading to large scale employment opportunities.

2. Concept of Startup

The startup has been conceptualized as an organization dedicated to creating something new under conditions of extreme uncertainty (Ries's, 2011).

Further, startup has been understood as a disciplined entrepreneurship that comprises a set of constructive steps leading to a successful innovation-driven business (Aulet, 2013). In addition, Entrepreneurship in the context of startup, has been explained that it is not a skill or attribute with which people are not born but it can be learned and taught (Aulet, 2013).

3. Stages of Startup

According to Gustavson (2017), startups start from having a vision for creating a solution to a dilemma, working hard on implementing the needful product and positioning it in the market place and finally making the product available for users. The last stage is then to start planning the next step for the future.

Kraus (2017) describes five development stages of a startup: starting with an early stage, moving next to a funding stage, establishing the business and pursuing growth, getting mature in the business and finally getting acquired (McGowan, 2017).

4. Factors as Inhibitors and Enablers of the Startup Phenomenon

There are two types of factors which affect the growth process of Indian startups :

1. **Inhibitors :** Inhibitors refers to those factors which slow down or prevent the growth of startups.
2. **Enablers :** Enablers refers to those factors which accelerate or facilitate the growth of startups.

5. Review of Literature

The review of literature was carried out to identify and understand the major inhibitors and enablers that influence the growth process of Indian startup.

5·1 Inhibitors

The major inhibitors that are identified are as follows:

1. **Entrepreneurial inertia :** Inertia can be considered as a company deciding to take no action regarding its strategic position.
2. **Technological uncertainty :** It is often a great challenge and a matter of concern for the decision maker of a firm due to rapid change in the technology and introduction of new technology in the firm's environment.
3. **Environmental Factors :** Specht (1993) distinguishes five main environmental factors affecting organization formation :

   1. Social,
   2. Economic,
   3. Political,
   4. Infrastructure development and
   5. Market emergence factors.

4. **Financial challenges :** In India startup face financial issues and problems for several reasons and in different stages (Colombo & Piva, 2008; Tanha et al., 2011; Salamzadeh, 2015a, b; Salamzadeh et al., 2015). The founder has to negotiate with family members and friends and to convince them to invest in his/her business idea. He/she invests in the business, and since the idea is in its early stages, he/she might need more money to expand it. Afterwards, in the seed stage, founder should look for angel investors and convince him/her with reasonable valuation plans. Next, in the creation stage, the founder should prepare a plan along with support documents to take advantage of venture capital.

5·2 Enablers

The major enablers identified are :

1. **Investors :** Finance is an integral part of the startup process. Investors play a major and vital role in providing finance for the growth of a company.
2. **Startup Incubators :** They provide a collaborative program specifically designed to help new startups foster and grow. Incubators help entrepreneurs solve some of the problems commonly associated with running a startup by providing workspace, seed funding, mentoring, and training.
3. **Pivoting :** In a study, Ries (2011) has defined a pivot as a structured course correction designed to test a new fundamental hypothesis about the product, strategy, and engine of growth. The work of Kirtley and O'Mahony(2020) on the other hand describes it as "a change in a firm's strategy that reorients the firm's strategic direction through a reallocation or restructuring of activities, resources and attention".

   The studies (Ries, 2011; Terho et al. 2015; Hirvikoski, 2014; Bajwa et al., 2016 and Bajwa et al., 2017) have described the following distinct pivot types:

   - **Zoom-in :** It is a solo feature of a product and which becomes the product in its entirety. Alternatively, it can be a narrowing of market focus, possibly from an entire market to an individual segment.
   - **Zoom-out :** What was considered to be a product does not address market needs and instead becomes a feature of a more complex and substantial offering.

- **Customer Segment :** A startup understands that its initial target audience does not possess an unmet need matching the product's profile; however, a different group of customers does and so the product is repositioned accordingly.
- **Customer Need :** The product doesn't meet the original customer need envisaged, however it has the potential to solve a previously unseen problem instead.
- **Platform :** An application includes complete platform and it is also termed as the reverse process.
- **Business Architecture :** This pivot type concerns two divergent organizational structure designs; namely complex system model - which represents a low volume, high margin philosophy - and volume operation model, which represents the diametric opposite. In a business architecture pivot therefore, the pivot is from one model to the other.
- **Value Capture :** A change in the means - of which there are clearly many - by which a startup derives value from its operations.
- **Engine of Growth :** Often accompanies the preceding category on this list and denotes a change in the growth strategy pursued by the startup.
- **Channel :** A simple change in the route by which a startup ensures that its product reaches its customers.
- **Technology :** A variation in the form of technology that a startup utilizes to generate a solution to its customers' issues.
- **Complete :** A pivot where, while the startup's core team remains intact, seismic shifts occur in such business aspects as product offering, target market and financing.
- **Side Project :** A switch to a supplementary initiative that is running on a similar timeline to the primary endeavour of the startup and shows greater potential.
- **Social Pivot :** Where dynamic alteration in social factors, for example, people and environment alter the direction of an organization.

4. **Scaling :** Maximizing the ability of an organization to achieve rapid growth. It includes Data driven operations. Data- driven operation refers to the process by which potential opportunities

and corresponding risks can present themselves via high volume data analysis. This analysis process facilitates a startup by providing ability to frame, hedge and monitor the potential ups and downs, before and during rapid scaling. The concept of data-driven operation is underpinned by the following three distinct components :

- **Data profiling :** The process whereby user data is employed by a startup to distinguish and consider potential untapped areas of opportunity; for instance, clusters of new users.
- **User hedging :** A startup utilizes diverse data sources obtained from possible sources to produce a balanced risk profile. This encapsulates the practice of each innovative activity, it considers, to be a part of its development.
- **Fine-grained monitoring :** This final activity is the scrutiny at as granular a level as possible of a startup's user metrics to identify any areas of operational concern.

6. Recommendations

The work of Nair and Blomquist (2018) make the case that the startups within an incubator setting are less prone to failure than those outside. The strategies are identified by the work of Nair and Blomquist (2019) to avoid failure and accelerate the growth of startups. These strategies are also recommended for the digital startups. In general, it is applicable on all kinds of startups and in particular digital startup.

This is a result of four strategies, specifically :

- Focus is on the team around a scalable idea : The startups specifically need an idea or some description in the context of the market. Whereas, incubators tend to majorly focus upon the qualities of the startup team, able to possess the potential to scale up the idea to a commercially viable level, in contrast to the perceived innovativeness and superiority of the actual product and/or service.
- Business model validation: Incubators are well aware of, more often than not, that the cause of a startup failure lies within its business model. The incubators repeatedly encourage the resident startups to initiate feedback, obtain feedback and incorporate that feedback into the lifecycle.

Incubators also suggest for taking a minimum viable product to the potential customers. This process facilitates to test the business model.

- Business model development: As a startup progresses through its incubator journey, it is imperative that it demonstrates proof of concept at various points in order to maintain its funding streams. Incubators are able to provide startups with the myriad of resources they require to achieve these points, the support to pivot to a new idea if the concept cannot be proven and facilitate access to streams of finance to support them while they undertake these activities.
- Business model scalability: Most incubators want their startup residents in and out of the premises as rapidly as possible. Two scenarios can result in this objective being met; the ability of a business model to scale and the inability of a business model to scale. Incubators are able, through coaching, mentoring, and network access, to facilitate the construction of a scalable and feasible commercial model.

7. Conclusion

Finally, it can be concluded from present study in reference to two set of stated objectives. The first objective to identify the four major inhibitors and enablers through the review of literature, has been met. Second objective to recommend solutions inorder to avoid failure and accelerate the startup process has been fulfilled through the four strategies suggested by Nair and Blomquist (2019).

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