

BUSINESS START-UP ISSUES IN NEW ORGANIZATIONS - STUDY

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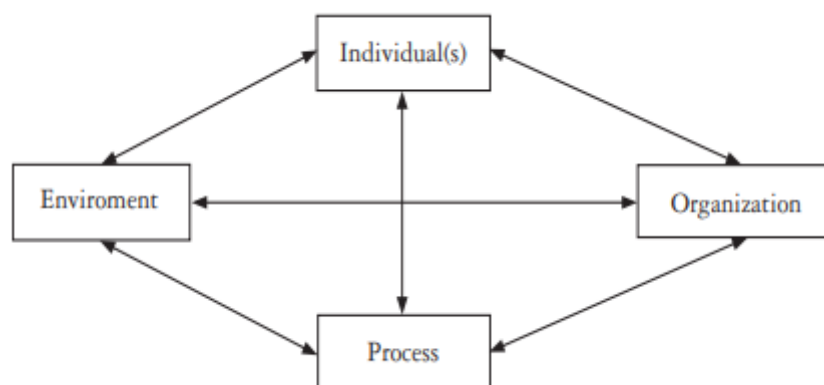
Abstract

Every startup brings with it a set of challenges. If not taken care of, these challenges could have serious repercussions. In this post, we will be discussing the common challenges faced by startups and tools that could become their saviour. You must have heard about the theory 'survival of the fittest'; you must also have heard a statement: "A smooth sea never makes good sailors". Both the 'survival of the fittest' theory and the statement above fit really well with the world of startups. And the world of startups is a violent one. Challenges are everywhere. And businesses – in general and startups in particular – are no exception to myriad of challenges that we face today.

Introduction

New businesses are not created by accident. There is plenty of evidence showing that the birth of an enterprise is a deliberate act, a response to the need of a new product or to the need for personal fulfilment need. A new venture creation phenomenon, which will be analyzed in depth at the light of theories and research, is described by individuals persisting at a variety of activities over a period of months, or years, in order to achieve the creation of a new firm. At the onset, entrepreneurs are continuously engaged in decision making. In lieu of this manpower, this paper needs not only to describe the process of creation of a new business, but also the problems that most often arise.

There are four dimensions from which the creation of a new firm can be defined: individuals –the person(s) involved in starting a new venture, organization –the kind of firm that is started, environment –the situation surrounding and influencing the new venture, and new venture process– actions undertaken by individual(s) to start the venture. The following figure shows the framework describing the creation of new firm:



Individuals: The entrepreneur

The entrepreneur is the person who assumes the risk associated with uncertainty

- The entrepreneur is the person who supplies financial capital

- The entrepreneur is an innovator
- The entrepreneur is a decision maker
- The entrepreneur is an industrial leader
- The entrepreneur is a manager or superintendent
- The entrepreneur is an organizer and co-ordinator of economic resources
- The entrepreneur is the owner of an enterprise
- The entrepreneur is an employer of factors of production
- The entrepreneur is a contractor
- The entrepreneur is an 'arbitrageur'
- The entrepreneur is an allocator of resources among alternative uses

Environment

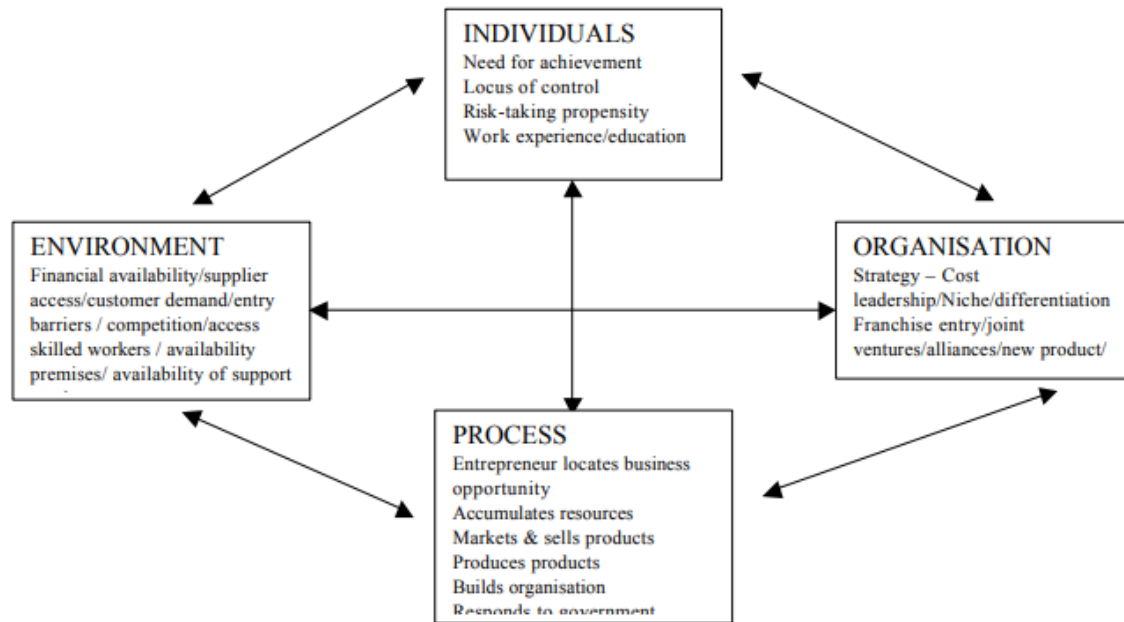
The birth, growth, contraction and death process of enterprises has become an important research field in the so-called firm demographics. This new research field is concerned with the analysis of the firms spatial-temporal change pattern from a behavioural-analytical perspective. Many studies on the growth processes of firms have been originated on industrial economics or organization and management disciplines, often complemented with certain bases taken from geography, demography, or psychology. An entrepreneur is an opportunity seeker but in so doing he/she needs to have an open eye on a rapidly changing external environment. As a consequence firm demography is a multidimensional research field in which psychology, sociology, marketing, political science, economics, finance and management come together.

Organization

Most studies of new venture creation have neglected to comment on or even communicate certain characteristics of organizations. Behind this, there seems to be the following assumptions: 1) All entrepreneurs are virtually alike and 2) If so, and if they all go through the same process to create their ventures the organizations they create must not be of any interest in them. Some research on the types of firm has studied the manufacturing firms; most of them have focused on high technology companies. Unsuccessfully, such studies do not compare the type of firm studied to other types which could determine their impact in the process of a new venture creation.

Process

The literature on entrepreneurship has begun to look beyond to what the entrepreneur does. Specifically, what is done at start-up or even prior to start-up has been increasingly considered important to the paths taken by new firms and their eventual success. This line of thinking suggested that in order to understand venture success it may be important to know some preliminaries as how thorough was the initial planning, why the business started, whether or not it was a single effort, and what was the financial structure of the business.



. THE START-UP PROCESS

Generation

Childhood
 Background and professional training
 Business incubator
 Deterioration of the role

Usually the entrepreneur professional training can be the result of the ‘Entrepreneur’s school or the ‘Entrepreneur’s technique’. The first is the ‘schooling’ of experience; where knowledge is obtained through the occupied posts, the history of success and failures that have been undergone, and the contacts made. The ‘schooling’ of experience can last from 10 to 20 years, depending on the capacity of risk that the entrepreneur has taken. This kind of preparation is also characterized by ‘forming’ entrepreneurs with mistrust and insecurity at the time of delegating. The ‘Entrepreneur’s technique’ is in direct relation to individuals who seek a business opportunity based on the technology. In this case, the entrepreneur training involves basically university background, although the professional experience plays an important role, even if it is not as significant as in the first ‘school’. A business incubator is an organization that provides physical space assistance for ‘speeding up’ the successful development of a new venture. It enables the search of a network for the development of business, ensuring to a certain point, a continuous and permanent flux of clients and suppliers which are strategic weapons in this decade. According to some studies the creation of a firm is not, generally speaking, the result of a deliberate and free act. It can originate from the rupture of some kind of lifestyle. It is possible that the entrepreneur has been considering creating an enterprise for some time, but it is the triggering event which finally will help in taking the decisive step.

Creation

Search and identification of an entrepreneurial opportunity
Assessment of entrepreneurial opportunity
The business plan
Legal creation of the firm
Launching and opening
Team creation
Acquisition and organization of resources
Development of goods or services
Financing
Failing or winning
Defending the venture from unwanted partners
Consolidation

COMMON PROBLEMS FACING NEW BUSINESS START-UPS

Challenges Faced by Startups

1. Fierce Competition

The corporate world is quite fierce. There is always a competition going on between the giants. Competition poses one of the biggest challenges for the survival of startup businesses. And if you have an online business startup, the competition gets tougher.

The competitive environment keeps the startups on their toes, as there is no margin of error available. Both B2B and B2C organizations always tend to feel the heat of the fierce competition. In order to survive in this competitive business environment that covers both traditional and online businesses, the startups need to play aggressively, and punch above their weight to gain the much needed recognition amongst the clusters of ever challenging and expanding businesses.

2. Unrealistic Expectations

Success does not come alone. It brings expectations with it. Most of the times, these expectations seem realistic, But in the real sense of the word, are merely unrealistic. This same concept holds true for young startups.

Startups tend to face challenges when they set 'unrealistic expectations' following a booming success. Remember, success is short-lived and expectations never end. This is where startups need to translate what the real expectations are? Sustainability is the name of the game. And sustainability requires consistent efforts.

In order to succeed in a competitive business world, startups need to have high but controlled expectations, keeping view of the resources available, the extent of growth potential, and other market factors as well.

3. Hiring Suitable Candidates

One of the most important factors that define organizational culture within a startup company is the synergy of the team. A team comprises of individuals with similar capabilities and identical focus. In order to develop a highly successful team culture, organizations in general – and startups in particular – need to hire suitable candidates.

There is a huge pool of aspiring individuals available. Selecting a suitable candidate that fits the job well enough is a peculiarly tricky task. It is one of the biggest challenges facing the startup businesses in this digital age. When hiring a suitable candidate, organizations must remember one golden rule: Birds of a feather flock together.

4. Partnership Decision Making

Partnership is the essence of success. And this logic holds true for startups as well. In this ever-expanding and ever-changing digital era, where organizations need to battle hard for their survival, startups also find it difficult to find trustworthy partners. It's really a big challenge for startups today. And as far as tech startups are concerned, stakes in partnership are much higher for them.

Going into a partnership pays great dividends for the startups, but they need to consider a variety of factors before making any decision to collaborate with another company working in the same ecosystem. To reap out maximum benefits out of a partnership, startup businesses should look for organizations that enjoy a sound presence within the market and a good reputation amongst the industry giants.

5. Financial Management

Money begets money. Remember the fact that when income increases, the expenditures also increase. There is no doubt about it. One of the biggest challenges that startups face today relates to financial management.

It is a fact that small startups rely heavily on financial backups from the so called investors. At times, when there is a cash influx, small firms, most importantly startups tend to find it really hard to properly manage their finances, and they bog down against the pressure.

In order to address this kind of situation, startups need to play a safe and cautious hand, by keeping all the cards close to their chests. Taking help from a reputed financial consultancy firm may really help out in managing financial crises facing today's startup businesses.

6. Cyber Security

This is the digital age. And surviving the challenges in this age requires small startups – especially the ones operating online – to be super agile to counter the so called online security threats. Hackers are everywhere, and they are going to take advantage of any loophole within the systems installed within a startup firm.

The rate of cyber crimes has increased dramatically during the past couple of years. The percentage is going to increase in the coming years as well. Startups that are active online do face online security threats. Be it unauthorized access to startup's sensitive information, employee records, bank accounts' information, or any other related information that is deemed important for the survival of a tech startup, they are at risk.

In order to safeguard the all important online data, startups need to have robust and military-grade security systems in place. A virtual private network (VPN) connection serves the purpose of protecting a startup's information, and employee records, by offering the much needed encryption and data security to the startup's employees, thereby restricting unauthorized access to organizational data over the web.

7. Winning Trust of Customers

Customer is the king. And that's absolutely right. Winning a customer's trust is one of the most important challenges that businesses in general – and startups in particular – face today. With a highly satisfied and loyal customer base, startups can scale and make progress towards excellence.

Customers are the real force behind a startup's success. Their word-of-mouth power and their presence on social media can give tech startups an edge against all the traditional businesses.

To win customers' trust and loyalty, startups need to work aggressively to implement a customer-centric working philosophy, so as to enable them to succeed in their pursuit of attaining the height sustainable growth and progress they desire to achieve in this tech-savvy and challenging business world.

Conclusion

It is a fact that there is no single stop solution to the surmounting challenges facing the startups in this age. You don't have a magic wand either that can help you solve the so called challenges overnight.

In order to face and tackle the so called challenges of a violent business world, startups need to be resilient and focus on keeping their integrity in tact against all odds. I have only covered seven of the biggest challenges facing the startups in this age. Now, it's your turn to contribute to this blog with your suggestions and ideas in the comments' section below.

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