ORIGINAL RESEARCH PAPER

Management

START UP COMPANIES: PROCESS, PROBLEMS AND ITS LIFE CYCLE

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ABSTRACT

Start-up company is conceptualizing well defines business idea into effective business model and implementing the same with entrepreneurial skills. A start-up is a young and fresh company created by one or more entrepreneurs to develop a specific product or service and bring it to market. A start-up is called as an entrepreneurial venture which seeks financial backings to get off the ground. These ventures are formed based on the entrepreneurs' idea and grow to succeed. Startup companies are increasingly emerging in and around the country from last two decades. Government is also supporting entrepreneurs through Make in India and other governmental schemes even though the start up ventures are having their own problems to get it started and to proceed in every stage of its cycle like infrastructure, government regulations and availability of finance. This paper talks about the process, challenges and the life cycle of a newly started business venture.

INTRODUCTION

A start up venture can be defined as a newly started business which is in the initial stages of operation, started to grow and is typically financed by an individual or a small group of individuals. It is a young entrepreneurial, scalable business model built on technology and innovation wherein entrepreneurs develop a product or service for which they foresee demand through disruption of existing or by creating entirely new market. Start ups are nothing but an idea that manifests into a commercial undertaking.Grant thornton2016, defines startup business as an organistion which is

1. incorporated for three years or less
2. Engages in development, production or distribution of new product, service or process.
3. Not formed through splitting or restructuring
4. Employing 50 people or less
5. An entrepreneurial venture /or a partnership or a temporary business organisation.

Entrepreneurship is one of the youngest paradigms in management science and there is no general agreement on the defining concepts and variables explaining it. The stages leading up to the legal creation of the organisation, when it becomes an organisation or active legal business entity, is also referred to in biological terms - the journey from conception to birth. Studies has referred to this process of starting up as one which involves events before an organisation becomes an organisation, that is, organisation creation involves those factors that lead to and influence the process of starting a business.

PROCESS:

The specific process of creation of a firm comprises four phases: 1) generation, 2)creation, 3) Launching, and 4) consolidation.

THE START-UP PROCESS

A difficult childhood is one element of influence evidenced in many firms; most entrepreneurs start their working life while they are still very young, and they work either for the family business or in their own business. It relates two factors as engines of firm creation, being 1) the family scarcity of means and 2) the death of the household head and need to take over the business. In short, childhood and family context are fundamental variables in the business idea generation.

Background and professional training

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'

Business incubator

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. The main purpose of an incubator is to 'produce' successful firms that can leave the program when they become independent and financially sustainable –it is the moment when they 'graduate'. The graduating firms leave the incubator with a great potential to create jobs, revitalize local economy, commercialize new technologies and strengthen regional and national economy. Depending upon its sector and ownership an incubator can be classified as follows: Sector: mixed use, manufacture, technology, and services. Ownership and/or administration: public, private, mixed and academic. Even if these different types of incubators may have the same activities and services, their aims could be different. For example, while the purpose of technological incubators –public or private– is to develop and commercialize new technologies, a small rehabilitation type firm –almost always public, could concentrate on "building" companies that prosper in an industrially underdeveloped community.

Deterioration of the role

According to some studies the creation of a firm is not the result of a deliberate and free act. It can originate from 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. Concretely, when the person is cut or marginalized from his or her previous life style, he or she begins to project the idea of business that can result in an enterprise. There are two hypotheses with respect to this. The first supposes a negative event as the triggering spark of the idea of business commonly related to the individual's deterioration of his or her current role or life style. The second supposes that the individual is motivated by the appeal of independence and need of achievement.

Creation Search and identification of an entrepreneurial opportunity

The search and identification of an entrepreneurial opportunity is extracted from the model of the marked process. It is considered that the market is in disequilibrium and that the entrepreneur is the one who introduces increasing degrees of coordination through the search of entrepreneurial opportunities. Then, the situation of unbalance is seen as a beneficial opportunity by the individual, and the process of the market is taken as the mechanism that provides incentives to discover potential situations and signs that might reveal the traits of the buyers and suppliers directing his or her actions.

Launching and opening

This is the phase that marks the beginning of the actual business. It is the departure on an 'uncertain journey' , where the expertise and the capacity of the entrepreneur are important in order to overcome the obstacles that will undoubtedly arise.

Team creation

It is an increasingly common fact that the creation of a new firm is not the work of a single individual but rather of a group of people interested in the business world . One criterion followed for making a team consists on looking for complementary partners, regarding both attitudes and capacities. The team creation is an aspect that requires great attention by the entrepreneur because in a great measure, the future of the new venture depends on it.

Development of goods or services

Nevertheless, the decision of how to manufacture or produce the good or service is a fundamental aspect of the new venture. The supplying conditions of the raw material, stockage, and certainly the product's design and its presentation must all be taken into account.

Consolidation

Finally, the consolidation phase is related to failing or winning, and defending oneself from unwanted partners

Failing or winning

The entrepreneur may have acquired many commitments and find him or herself facing the predicament of either staying in business or withdrawing from it. Among other aspects he or she must: 1) face the possible short delay for the return of goods, 2) rise or drop in the demand for the product for which he or she may not be in a condition to respond, 3) face the problems of incompatibility among the partners, and 4) face the failure on the part of the suppliers to meet the required conditions or the failure to pay on the part of customers. The possibility to overcome this phase depends on the entrepreneur's expertise to overcome obstacles, his or her perseverance, his or her sense of achievement.

PROBLEMS

Competition

New businesses are often the little kid in a very, very large, bully-filled playground. Rival companies that are already trading in similar markets to yours, already have the upper hand and advantage. They have been operating for a longer time, have gained more knowledge in operating that sort of business, know the market better and can probably adapt to the market changes quicker.

Lack of Funding

99% of people thinking of starting a business wont because of the realisation of the costs and the lack funding available. Its funny that we start businesses with the aim of making loads of money, but in fact you cant make money unless you have money to fund the business from the beginning. Financial risk plays a huge part in small businesses, ensuring and maintaining a healthy cash flow is essential. Start-ups need substantial amounts of money to cover costs. When your starting from scratch there's many things that need to be developed, for example, logos, website, accountants, marketing materials, staffing, launch programme, merchandise, the list goes on and the bill goes up and up.

Time Restraints

Starting a business is not a part time Saturday job, business owners need to be able to commit to extremely long hours in the start-up phase. There is everything from staff contracts and health and safety policies to marketing materials and websites to develop and the longer this takes the longer the business takes to be established and the higher the financial risk becomes. The owner will become responsible for everything from the grunt work to the office managerial responsibilities.

Poor Planning

Many business fail in the first year due to poor planning and preparation before declaring themselves as open for business. Before launching any business everything from suppliers to rates should be investigated. Noticing a hike in unexpected costs after you have just launched a business can bankrupt the plans in no time. Extra time should be taken ensuring that everything is covered, the best way to do this is by creating a comprehensive business plan.

No Historical Data

New start-ups often face the problem of just not knowing what is going to happen or what should happen. Launching a new business concept to the market or even for the business owner themselves with little knowledge of the industry can be extremely hard to plan for, as there are no expectations.

LIFE CYCLE:

There are three stages in start up life cycle, those are:

1. Bootstrapping stage
2. Seed stage
3. Creation stage

Bootstrapping stage:

In this very early stage, the entrepreneur himself/herself initiates a set of activities to turn his/her idea into a profitable business. However, he/she considers a higher risk or even uncertainty level, continues working on the new venture idea, makes a team, uses personal funds, and asks family members and friends for their investment in the idea. Bootstrapping, which is sometimes defined as highly creative ways of acquiring the use of resources without borrowing. The purpose of this stage is to position the venture for growth by demonstrating product feasibility, cash management capability, team building and management, and customer acceptance.

Seed stage:

After the bootstrapping stage, the founder enters into a new stage, which is the seed stage1. This stage is characterized by team work, prototype development, entry into market, valuation of the venture, seeking for support mechanisms such as accelerators and incubators, and average investments to grow the startup. A great number of startups fail in this stage. Since they could not find support mechanisms and in best case they would turn to a low profit company with a low rate of success. On the other hand, those who succeed in receiving support would have a higher chance of becoming profitable companies. It goes without saying that valuation is normally done at the end of this stage.

Creation stage

Creation stage occurs when the company sells its products, enters into market, and hires first employees. At the end of this stage, organization/firm is formed and corporate finance is considered as the main choice for financing the firm. Venture capitals could facilitate the creation stage, by funding the venture.

CONCLUSION

This paper explained and conceptualized Startups by elaborating their life cycle in three major stages. This paper concluded that every newly started venture will have its own problem even when government provide support because new ventures are not getting enough financial funding in each of its life cycle.

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