



**A STUDY OF FACTORS INFLUENCING ON START-UP BUSINESS:
FAILURE AND SUCCESS**

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ABSTRACT

Research Title : A STUDY OF FACTORS INFLUENCING ON START-UP
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This article examines the factor influencing on the failure and success startup business or entrepreneurship. As this work was a document research, this study analyzes existing information on books, articles, magazines, pdfs files and websites describe the key factors dominate on recently and presently success and failure entrepreneurs, then alternate the most effective to start-up business. Several reasons were responsible for the failure and success of a startup. Some reasons had divided into two main factors; internal factors and external factors. Internal factors involve Personality of entrepreneurship, Digital marketing Skills, Teamwork, Innovation product and Timing, in order, external factors were Customer Behaviors or needs, Venture Capital, Government Support and Technology. The starting of new business easy but very rarely to continue develop in the rapidly changing of technologies development. The first success of a startup begins with a great idea which later turns into a great performer. This study aims to create youth entrepreneur to establish new companies to support the creation of wealth, employment and welfare.

Keywords: Start-up, Internal factors, External Factors



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CHAPTER: 1.0 Introduction

1.1 Research Background

Startup is growing in the high speed in the marketing sector, but there are many startups failed and a smaller number of entrepreneur's startup accomplished in business. As per the statistics, 9 out of 10 fail. It has always been of need entrepreneur to know the key factor involved in creating a successful business (Krishna, Agrawal, & Choudhary, 2016). So, the matters influencing successful startups that help them overcome uncertainty, creating and capturing value in a more efficient way purposely of this paper. According to Hyder & Lussier (2016), both affirms that more than 80 percent of Startups fail in their first year of existence even though the factors influencing the success of the Start-up has been developed, the failure of startup still increase by a lack of knowledge about the Startups (Mauricio, 2017). Many researchers have done studies on failure of startups that there have equivocated over failure and closure and there are several definitions put forth. We want to focus on firms that do not survive the initial stages. While studies shown below, show that failure rates vary from 25% to 75%, the main issue is that there are a large number (absolute numbers) of firms which do not survive the first year (Gopalkrishnan, 2017). Startup is actually emphasized on youth entrepreneurs. In the International Labor Organization defined that youth are defined as persons aged 15 to 29. For the remaining databases, youth are defined as persons aged 15 to 24, unless otherwise noted (Maina, 2016). According to The Organization for Economic Co-operation and Development (OECD) in 2019, more than 212 million people will be out of work, up from the current 201 million. young people are more at risk of unemployment than older cohorts (Maina, 2016). Additionally, International Labor Organization (ILO) statistics puts global youth unemployment rate of almost 13 percent in 2014 and a further increase expected in coming years, estimating seventy-three million young people to be unemployed. Startups play a vital role in society and in business. They are responsible for job creation, for creating new industries and for revitalizing older ones (Gopalkrishnan, 2017).

The successful startup here describe as it is success in the entrepreneurial ecosystem is that they buy or get you to go public, (Hyder, 2016), and also the achievement of the goals and objectives of

the company and also as a measure of good management (Thanh, 2015). Successful business means holding a share in the market and the size of the customers as well as grow sales and profitability, which has to be similar or higher than the industry average (Mauricio, 2017). Then called as the good financial performance of the company (Spiegel, 2015).

Therefore, our research is depended on the previous works, and review on factors influencing success start-ups or entrepreneurs which are most important at different stages of development as well as figure out some matter that create startups fail in business, summarize the following research.

1.2 Research Problems

There are thousands of startup business stories that get lost in the dark and never see the light of day. Actually, it may be easy to start a business today, but it's not so easy to find long-term success or even get funding for your next big idea (Johnson, 2015). Entrepreneurship of startup is one of the key driver of the country's economy. It is one of the best resources for generating economic and new model social development in developing countries. However, it is easy to fail, the reason is lack of resources and failure to adapt to the challenges posed by the environment (Ghezzi, 2020). Start-up seem not to be keeping pace with digital developments, mostly due to the lack of knowledge of digital marketing. Most of the studied start-up do not apply the full potential of the new digital tools and hence are not benefitting fully from them (Heini Maarit Taiminen, 2015). When starter new business lacks a marketing strategy, it is more vulnerable in competitive markets (Haden, 2015). Therefore, developing entrepreneurial skills among youth is more important for the growth of the national economy. By launching institutional financing to provide young people with access to finance for self-employment activities and entrepreneurial skills development as a way of addressing unemployment and poverty which essentially are youth problems (Maina, 2016).

1.3 Objective of the study

The objectives of the research are:

- 1.1 To analyses the factors influencing on previous startup success and failure

1.2 To figure out what skills the recent entrepreneurs were well-prepared on and what skills were lacking.

1.3 To select the most possible factors and apply them in the business field.

1.4 Scope of the study

The study was focused on the factor influencing toward startup. Descriptive and analytical methods were used in the study based on the sources, in order, the secondary data were used to analyze the study. This research emphasizes on the secondary data such as reports, articles, internet, websites, and relevant researches.

1.5 Research Significance

The purpose of this paper is to examine organizational learning as a mediator among start-up which comprise the majority of economic activity in an emergent/developing economy (Stanzin, 2019). It Thus, this work support to better understanding why some businesses succeed and others fail, and then apply in business. So, with the rapidly change and development of the digital marketing, start-up businesses are very urgent and important to adopting digital marketing. The study purposely develops new businesses into a systematic approach for assessing and managing the risks of entrepreneurial businesses. Therefore, the strategies are necessary to start-up for stable, prosperous, sustainable in the change of customer's behavior trendily. By enable the youth to know the factors that define a successful business start-up and guiding strategies for launching business, it is inspiring the rural youth and urban youth to have more confident to take risk in business. Youth beneficiaries also get to know the importance of participating in trainings that benefit their businesses. This paper is also intended to contribute to knowledge in the area of youth entrepreneurship to be able to know at which point they can support the young generation.

CHAPTER: 2.0. Literatures Review

2.1 Startup

According to investment dictionary, startup is the beginning of a new company or new product and sector where new technologies are used (GRANT, 2020). According to European Startup Monitor (ESM) has a 2-part criterion for startups. Firstly, startup cannot be more than 10 years old. Secondly, it must “have an innovative/disruptive business model or technology” and/or “to aim at a significant growth in revenue and number of employees” (Ripsas, 2015). According to “Academy of Entrepreneurship Journal”, Mauricio showed that a Startup is a new and temporary company that has a business model based on innovation and technology. In addition, these types of companies have a potential for rapid growth and scalability. Startups are known to governments around the world for their contribution to economic stability, growth, and job creation (Mauricio, 2017). On the other hand, startup is one who can create their business with what resources they have, and then take their idea and concept to investors to see if they have what it takes to get funding and bring their business to that next level (Johnson, 2015). Moreover, Startups also referred to as new technology-based enterprises, are those temporary organizations that create innovative products and/or services using high technology (Mauricio, 2017).

The essence of having successful start-ups business among the youth is to ensure that youth are not only employed, but have sufficient income to sustain their livelihoods, and also contribute to economic development of their nation. Fostering youth entrepreneurship is key policy option for most developing countries. Globally, youth between 15 and 24 years make up 17% of the world population (Maina, 2016).

However, different continent achieving in disimilar types. For instance, in several European countries are aware that support for the creation of new innovative technological ventures with a high potential for growth in the market is important for the development of their economies. Meanwhile, in Latin America today is more encouraging, with a range of traditional support programs in seed capital, investment angels and venture capital (Mauricio, 2017). In United Stated, startups employers have 1.5 million people and account for an estimated 2.8 percent of all US businesses. In the Europe, number of startups and SMEs account for roughly 67 percent of jobs, employing almost 90 million workers. Tech-based startups also have broad direct and

indirect job creation impacts, often at national and global scales. Additionally, numerous former startups such as Google, Microsoft, and Facebook have become massively valuable companies with large societal impacts (Jacob Nelson, 2019).

Let take a look where startup or Entrepreneurs come from: startup founder teams have an average age of 35 to 54 years old. Prior work experience isn't a requirement for startups, but most founders 39 percent were previously a CEO or Founder of another company. 28 percent of founders have a mixed background of job titles spanning across upper management, director or manager positions. Education is of little importance in the world of startups, are more than 60 percent of founders have little to no college experience (Johnson, 2015).

Startup or Enterprises is to deliver on social mission goals without lessening their business performance, lack of funds, and have to leverage the collaborations that often occur in spontaneous entrepreneurial and innovation ecosystems (Luca Cacciolatti, 2020). This is particularly true for startups, which lack resources and social capital (S.C. Lonial, 2015). Therefore, by lacking sources of funds rapidly growth economic, startups have to be strategic in nature and different types of partner to shape their different strategic positions (Herrera, 2015).

According Postmortem analyses show that startups fail due to a number of internal and external factors (Cantamessa, 2018). Internal factors refer to factors inside of a company, like managerial structure or team composition while external factors are those aspects of the environment that affect the company, such as a strong presence of competitors or a weak product–market fit (Jacob Nelson, 2019). Startups success requires management that can successfully navigate the resource-constrained nature of startups. Even with an efficient team and effective management, the environment surrounding a startup can still cause it to fail (Cantamessa, 2018). Management skills is the resources necessary to bring success to the company and also describes the degree of competencies, attitudes, skills or abilities of the entrepreneur to meet the objectives and goals (Hyder, 2016).

External factors of startup failure can include a poor product–market fit and an insufficient or ineffective network of support or an inability to obtain funding (Cantamessa, 2018). To avoid failure, startups need to create a product that meets customer needs and market demands before depleting their resources (Unterkalmsteiner, 2016). Strategic alliances help to connect

startups to valuable resources, and those companies who fail to form these alliances have a higher chance of failure. Unable to create a net-positive revenue, startups ultimately fail when they exhaust their resources and their options (Cantamessa, 2018).

The following part will provide an overview of the most characteristic factors causing a startup's failure or success regarding to literature review. The factors which determine startup companies categorize into two main factors and following sub-factors too. According Postmortem analyses show that startups fail due to a number of internal and external factors (Cantamessa, 2018).

2.2. Internal Factors

2.2.1 Personality of entrepreneurship

The character or passion of the founder represents his commitment to the project or idea of company (Mauricio, 2017). It is decisive of the founder is a person like, how he handles his employees, how he negotiates with other companies; and on the other hand, because of the founder's influential position, his interpretations of subjective elements lead the way. Entrepreneur is the one who, in the end, makes a strategic decision based on his sense of reality (Kotsch, 2017). In addition, the personality of entrepreneurship involved attitudes, professional experience and skills that play a part in the company's growth potential (Barba-Sánchez, 2017). Also, being proactive motivated open to innovation and taking risks are considered to be key assets of an entrepreneur's personality.

2.2.2 Digital Marketing Skills

Digital marketing Skill is an ability to use of the internet, mobile devices, social media, search engines, and other channels to reach consumers. Some marketing experts consider digital marketing to be an entirely new endeavor that requires a new way of approaching customers and new ways of understanding how customers behave compared to traditional marketing (BARONE, 2019). Digital Marketing is the promotion of products or brands via one or more forms of electronic media. For example, advertising mediums that might be used as part of the digital

marketing strategy of a business could include promotional efforts made via the Internet, social media, mobile phones and electronic billboards, as well as via digital and television and radio channels (businessdictionary, 2020). According to the study of "The Future of Digital Marketing" from an online survey of 262 digital marketing executives at B-to-C and B-to-B companies, 80% of companies plan to increase the digital marketing budget in the next 12 Up to 18 months (Baltes, 2015). In the table of contents structure, many of the text books contained a topic such as digital marketing, E-commerce, the digital age, online marketing, and online retail sales and smartphone marketing (Kosonen, 2017). Users typically access digital services via web-based technologies on desktop, computers and laptops or down load services that offer software and applications functionality to their mobile devices such as smart phones and tablet to reach products (Babu, 2018). Additionally, companies advertise online various ways to approach their customer targeted such as Facebook and Google and then collecting customer information. Sales promotions can also happen as well online when companies offer discounts or have a sales campaign after launching a new product (Kosonen, 2017).

2.2.3 Teamwork

To studies in several principle entrepreneurs and deduced that mobilization of team bases is one of the aspects needed for establishing a profitable venture (Muñoz-Bullon, 2015).The composition of teams and confidence levels of teams impact firm performance (Liozu, 2015). We thus have research which proves that teams are vital for performance. In a startup situation, teams are a crucial factor as they are the limited resources which the entrepreneur carries to make the venture a viable entity, support in finding new opportunities and making important decisions which has an impact on the firms ability to survive and perform. Additionally, tools for improving teamwork are job redesign, team rebuilding, performance management programs and training. They further state that team training involves finding the optimal combination of tools, delivery methods, and content to improve the interactions of the team members and outcomes (Gopalkrishnan, 2017).

2.2.4 Innovation Product or new idea of product

Innovation product is a degree in which new innovative products and/or services are introduced (Mauricio, 2017). Innovation is one of a novel solution to problems of startup.

Especially, it is an innovative solution to complex environmental, economic and societal challenges, and it aims to increase societal welfare through co-creation (Luca Cacciolatti, 2020). Innovation 'relates to system-innovation, game changers and narratives of change' (F. Avelino, 2017), and it requires the creation and application of new knowledge that leads to new capabilities amongst diverse stakeholders (W.H. Voorberg, 2015).

2.2.5 Timing

The standing of the right timing for market entry is most normally discussed in the technology industry. According to Gross, he stated that the 200 companies that the factor time accounted for either success or failure in 42% of the cases (Kotsch, 2017). The right timing is everything. Waiting too long to start acting on ideas is not something that you should do, but jumping into the whirlpool of entrepreneurship when the timing is wrong will kill not only your enthusiasm very fast, but will also destroy your business, self-esteem and sometimes even your reputation (Thepitcher, 2016). Nowadays, the rapid development of broadband access and the market entry of Adobe Flash Player, which makes video content far easier to watch online, came exactly at the right time for the founders of a very similar startup called YouTube (Kotsch, 2017). For instance, in the matter of Facebook displays that the issue of time is relevant even to established business: because of laws and regulations, companies are not allowed to enter the Chinese market. Despite of efforting and meetings with government officials, Facebook is still not accessible by Chinese online communities. Today, however, because Chinese competitors such as WeChat and Weibo, Google's former chief operating officer of Google think that entering the Facebook market "in this period and it is late (Abkowitz, 2017).

2.3 External Factors

2.3.1 Consumer Behaviour

However, by adopting digital marketing, the challenge of capturing and using data effectively highlights that digital marketing requires a new approach to marketing based on a new understanding of consumer behavior. For example, it may require a company to analyze new

forms of consumer behavior, such as likes on Facebook and tweets on Twitter (BARONE, 2019). Once the consumer has recognized their need, they begin gathering information about the product or service that they require. This is, arguably, the stage at which digital marketing can be most powerful. Around 89% of all consumers now begin their search for product information on the internet (Alfrey, 2019). Regarding to Digital Technology Institute, in the past era, consumers has trust issues before going for any new product or service and would trust only on the feedback provide by th experienced consumers. Era has changed and so the mindset of the consumers change too. Consumers are now welcoming new products with fresh and good quality features with applause. This experienting behaviour of the consumers made way for many start-up companies like Uber, Oyo, Ola, UrbanClab, Olx etc. Thanks to digital marketing for creating awareness and having easy acces to these service (Institute, 2020).

2.3.1 Venture capital

Venture Capital is the entrepreneurial capital that consists of financing startup in the phase of growth with high potential and risk (Bocken, 2015). This capitals are too risk averse to invest in a startup, entrepreneurs often turn to venture capital firms. These firms, depending on the sum of investment, will have a high involvement in the company and therefore be more likely to provide capital even if the venture seems risky. As well-known companies such as Google, Microsoft, Dell and Qualcomm all have venture capital arms. They make strategic investments to gain specific knowledge, obtain exposure to new technologies and explore future markets (Kotsch, 2017). Venture capital is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential. Venture capital generally comes from well-off investors, investment banks and any other financial institutions (CHEN, 2020). Any way, venture funding rules are unique ‘because of the dual organizational identities of the ventures that they asses, the attributes unique to social ventures such as social mission, an entrepreneur's passion for social change, and community-based network are critical assessment factors (Luca Cacciolatti, 2020). The first step for any business looking for venture capital is to submit a business plan, either to a venture capital firm or to an angel investor. If interested in the proposal, the firm or the investor must then perform due diligence, which includes a thorough investigation of the company's business model, products, management, and operating history, among other things (CHEN, 2020).

2.3.2 Government Support

Governments in advanced countries have always been interested in fostering entrepreneurship in order to generate innovation, economic growth, and job creation. Government policy should be attributed to start-ups for shift in policy to focus more strongly on such high-growth firms or startups (Baron, 2017). Government supporting is the financial sponsorship of the government, through seed capital, in the initial stage of startup, are also support programs made, especially for startup (Mauricio, 2017). Initiatives of non-profit organizations and governments often provide grants, loans or other financing plans that support the startup landscape in a given region (Kotsch, 2017). Government funding programs can have great effects on small businesses. By helping entrepreneurs to overcome barrier of entries to the market, generally the number of new ventures will increase, more firms will survive the first critical years and more jobs will be created in the long term (Butler, 2016).

2.3.3 Technologies

Technology have been changed the size of business. Technological and managerial skills, aptitudes and knowledge required to gain competitive advantage (Mauricio, 2017). Nowadays, there are many startups that have emerged by exploring new and innovative technology and are dedicated to further their growth using the same. With extensive market research, many entrepreneurs have been able to pinpoint current trends that could help in developing that kind of technology for both businesses and consumers (Gupta, 2016).

CHAPTER: 3.0 Finding and Conclusion

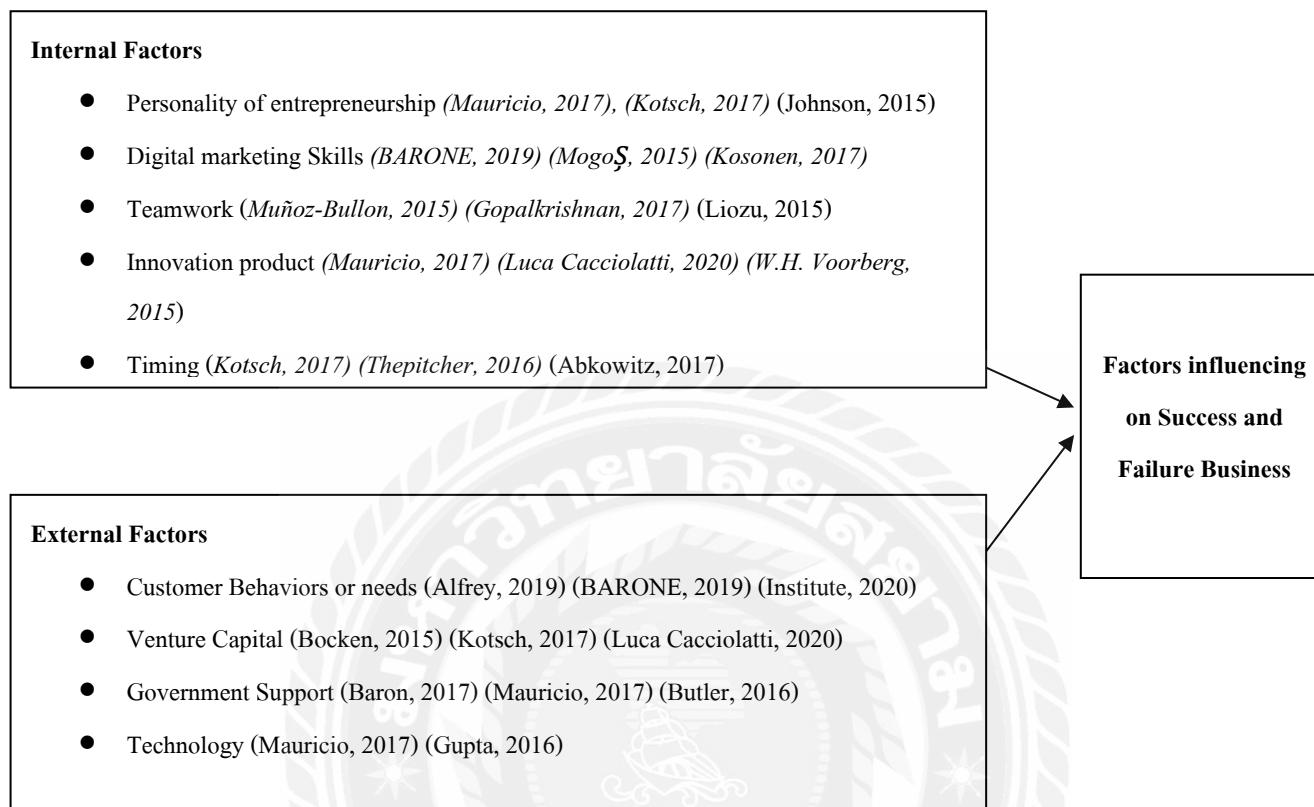


Figure 1: Model used as a guideline for this research

From this investigation document research, the table result has shown that the factor influencing and determining the start-up will be success or failure based on two categorizes Internal Factors and External Factors. Internal factors are the prior cause of everything, then external thing would approach, therefore the prior influencing of startup begin from the inside or inner, in order, the outside thing will come later. Two factors would be explaining below detailly. As the result of chart describe above.

3.1 With Related to Internal Factors:

Personality of entrepreneurship, digital marketing Skills, teamwork and innovation product, and time. firstly, the personality of entrepreneurship is the pioneer to drive action come out. The qualities, skills, personal motivation of entrepreneur is the core sources of successor start-up. The first mover is always challenging with diversity of problem, mistake, complicated and

difficulty. Without passion, strong mind, tolerant and repeating, the successfulness would not come.

Secondly, born in digital era, digital marketing skills is necessary for start-up as well as it is a channel where business owners are capable to sell their products and services. Digital marketing creates a direct connection with customers; less allocated resources for sites and advertisements designed for mobile devices; provides facility to easier measure advertising if the commercials really get to the customers. Also, digital marketing is a place which allows merchants and individual to sell products and services through Internet, either a listing fee or a percentage of the scale (Mogo§, 2015).

Thirdly, teamwork allows the company to move faster, be more agile to enter a market and more responsive to a change in market conditions. A team also enables opportunities for accelerated and specialized decision making as well as a faster pace for innovations. Out of teamwork, entrepreneurs often do not realize how the interplay of personalities affects their performances and the overall success of the venture. Therefore, choosing co-founders or hiring employees for a small team should ideally focus on both work skills and personal traits (Kotsch, 2017).

Fourthly, innovative product is higher demand in the market, and it also changes customer behaviors. So, innovative product and value-added products create opportunity for entrepreneurs become entrepreneurs. The hope of success makes start-up produce innovative products or substitute products; some entrepreneurs fulfill the market demand by producing complementary goods also. So, the increase in products demand highly motivates to become entrepreneurs.

The last internal factor is time. The coming of timing is affecting the future growth potential. Startups operating in the same niche market must compete for limited resources in order to grow. While early contestants still have the opportunity to choose the desired channel, users may need to leave the crowded market and find new opportunities somewhere else (Kotsch, 2017).

3.2 With related to External Factors:

Customer Behaviors or needs, venture Capital, government Support and technology. To start business, the first thing entrepreneur what need of customer he or she offer and what consumer prefer. By having market knowledge and information about customer behaviors or customer needs, entrepreneur is able to analyses what motivate individual customer or consumers enter into the markets. If there is abundant information then it automatically creates interest in the minds of enthusiastic people to become entrepreneurs. Availability of information facilitates research and producing innovative and value-added products, and it creates a scope to become entrepreneurs.

With lack of fund, it is hard to start. Startup businesses with venture capital also tend to replace the company's founder with an external CEO (Kotsch, 2017). Not just joint ventures, such as collaborative forms, which are beneficial to begin with making good use of social capital, but also still receiving resources from each other, such as machinery, equipment, knowledge and expertise.

Economies with a greater share of self-employment exhibit faster economic recovery. Government's supporting is an important aspect of successful business. So, government should support new businesses since they are one of the cornerstones in any initiative geared towards employment generation, because of the need to act as a driving force for creativity and risk taking.

Technologies act as a path to transform ideas into products, feasibility in production and expected success rate highly motivates to become entrepreneurs (Trivikram, 2016). It reduces errors and cost of production and maximizes success rate; this is the reason why people are interested in becoming entrepreneurs with the increase in technology.

This table result helps start-p to open innovation management approach, experimental-driven discovery and migration mapping in the future can build the foundation of a systematic set of tools for evaluating and mitigating underlying risks and unlocking the value of those startup businesses.

CHAPTER: 4.0 Conclusion and Recommendation

Overall, numerous startups establish every year, but less starters success in their occupation, more than a half of entrepreneurs have not seen the light. To be startup one should

have personal motivation which is the effort of someone who is willing to make their own business and possessed abilities and personal determining to remain self-employed.

Entrepreneurial motivation is the process of transforming an ordinary individual to a powerful businessman, who can create opportunities and helps in maximizing wealth and economic development. By having self-employed, it will lead the entrepreneur to reach desirable outcomes. Motivation plays a major role in identifying their own strengths to become strong leaders or powerful entrepreneurs which make them to accepting risks and face uncertainty for the purpose of reaching pre-described goals.

Additionally, only willingness and expecting to be like others, it is hard to reach the target. So, before enter in business, starter should do lessons, find more information, practical and prepare to failure are what are essential for young startups. Starter should keep in mind that mistake or failure will make them understand how to be on the right path from the start by correct measures and do not do the same. The mistake that startups made will create the bright future of entrepreneurs. An important part of an entrepreneur or a creator is a trying to build a business leads to failure. Then try to get up and fight ahead.

To become an entrepreneur, one should identify their strengths and opportunities from the external environment. Because, motivation makes entrepreneur by fulfilling higher level needs such as recognition, esteem, and self-actualization. (Trivikram, 2016) Motivation is a driving force for business creation and also commitment and aptitude. Correspondingly, businesses are not only created by those who have the ability and aptitude to do so but also by those with the motivation (Barba-Sánchez, 2017).

4.1 Recommendation

Moreover, government funds, venture capital companies, banks and others should also take this significant observation into account to measure the potential entrepreneur's commitment in order to reduce the high failure rate and better manage subsidies and funds for small enterprises and the self-employed. This should be borne in mind when designing programs to promote entrepreneurship since it is harder to remain self-employed than it is to start being so. Self-employment suffers from high levels of abandonment and this means that these policies do not obtain the desired results (Holland, 2015).

Furthermore, to figure out the reasons of entrepreneurial failure, it is better to examine what makes entrepreneurs continue their activity. Some reasons are based on external factors such as venture capital and government support. In developing and promoting young entrepreneurs, the government should invest time, energy or paying attention, and money in business plans and behaviors on issues such as strategy or willingness to grow with the business. In addition, finance is the scarce resource which motivates and enables a person to become an entrepreneur (Trivikram, 2016). Money can make many things it is the major thing in deciding one's status and development, strong financial background facilitates to start a business.

4.2 Recommendation

On the other hand, out of I have mentioned above there are another factors that probably influence youth entrepreneurs such as family members, friends, and society are also concerning in start-up success and failure. The extent of influence shows an effect on the character, behavior, and development, it comes from the external environment. However, people get influenced by seeing successful entrepreneurs or by the words of others.

Lastly, one who expect to become entrepreneur I would like to recommend to emphasize on Change; it is about the customers maximizes the chance to produce substitute and complementary goods, it creates a scope to innovation and establishment of the new ventures.

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