



ISSN Print: 2394-7500  
ISSN Online: 2394-5869  
Impact Factor: 5.2  
IJAR 2019; 5(7): 317-320  
www.allresearchjournal.com  
Received: 29-05-2019  
Accepted: 30-06-2019

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## Business start-up issues and challenges

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### Abstract

Start-up companies are newly born companies which struggle for existence. Start-ups generally formed with the outstanding ideas and with all possibilities to succeed. These phenomena are mentioned in the literature of management, organisation and entrepreneurship theories. There are some issues which was involved in new start up. This paper tries to conceptualise these issues and also tries to explain the word emergence. It has been estimated that at any one time over 500 million people globally are involved in the process of starting up a new venture. This makes the study of emerging organisation one of the primary areas of research in their field of entrepreneurship companies are newly born companies which struggle for existence. These phenomena are mentioned in the literature of management, organisation and entrepreneurship theories. There are some issues which was involved in new start up. This paper tries to conceptualise these issues and also tries to explain the word emergence.

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**Keywords:** Start-up, emergence, challenge, issues

### Introduction

On 15th August 2015, PM Narendra Modi announced this initiative at the Red Fort as Start-up India and on 16th Jan 2016 it was officially flagged by Finance minister Arun Jaitley. The main aim of the Govt is to provide maximum help and support for the new emerging businesses and ideas. Govt will support in areas of advanced technology, economic, finance and social environment. As it is a known fact that when someone starts a new enterprise or tries to get into entrepreneurship they face many problems like finance, land permissions, environmental clearance, foreign investment proposals, family support etc. Considering the opportunities and environment we need such initiative from the Govt of India

### Organisational emergence is a dynamic process involving activities such as

- Obtaining resources
- Developing products
- Hiring employees
- Seeking funding

New ventures undertakes that activities at different times (Lichtenstein, Dooley and Lumpkin, 2006) and in a different order carried out these activities lays the foundation for the New venture to develop unique capabilities and to gain the trust of stakeholders. An emergent organisation is an organisation that spontaneously emerges from one exists in an complex dynamic environment or market place, rather than being a construct or copy of something that already exists.

### Current state of Start-ups in India

1. As per the start-ups perspective India is the third largest in world.
2. Average age of start-up founders is 28 years.
3. 9% of the total start-up founders are women
4. There is high gain in numbers of tech start-ups i.e. from 5300 in 2016 to 11500 in 2020.
5. Metro cities are home of major start-ups and investors.
6. Approximately, 50% growth in share of female entrepreneurs in the last 12 months.
7. The number of Private Equity and Venture Capital firms has doubled in the last 12 months.

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### **A short history of organisational emergence**

- If we want to emergence, understanding it's origin helps. Scientist Peter Corning offers a brilliant essay on emergence. He brought a multitude of sources together to describe an evolution on prospective. I have paraphrase some highlights:
- Emergence has gone in and out of favour since 1875. As per famous philosopher David Blitz, the term was stated by the renowned psychologist G.H Lewes, who wrote," there is a cooperation of things of different kinds. The emergent is unlike its components.....and it cannot be lowered to their sum or their difference." By 1920 s; the concept of emergence fell into disfavour under the onslaught of analysis.
- Emergence is intimately tied to studies of evaluation. Herbert Spencer, an English philosopher and contemporary of Drawin's described emergence as "an inherent, energy -driven trend in evolution towards new levels of organisation."

### **Start-ups theories**

As specified above, start-ups are considered as the main focus of theories in various domains. However, there are various theories which could be implicitly treated as "start-up theories" in the existing literature. This paper categorizes these theories in three main areas: (i) organization, (ii) management, and (iii) entrepreneurship.

### **Organization theories focusing on start-ups**

Van de Ven *et al.* (1984) were among the first scholars who considered three main approaches toward studying start-up creation. They studied entrepreneurial, organisational and ecological theories; and argued that prior research had only examined one of these three approaches without considering the others. As they stated:

"The organisational approach validated the conditions under which an organisation is planned and the steps followed in its initial development phase, which have major consequences on its structure and performance in later life".

### **Management theories emphasising on start-ups**

According to its broad definition (getting things done by the other people, or having the efforts of people toward mutual goals), management is about people (Hofstede, 1999). Whereas management theories are either "perspectives" or "descriptions of the bonds among organisational characteristics". Thus, as per this view, while management theories have less to do with start-ups in an organisational perspective; they have more to do with those things as individuals/teams that coordinate their efforts toward some mutual goals.

### **Entrepreneurship theories emphasising on start-ups**

"The entrepreneurial approach argues the qualities of the founder and promoter of a new company". Although this view holds a main presumption related to the existing theories, it lacks entrepreneurial focus on the phenomenon in question, i.e. start-ups. The founder is important, there are several issues to be described, discussed, and explained by entrepreneurship theories on start-ups. As Salamzadeh (2015b) argues, entrepreneurship theories on start-ups fall into two categories: (i) macro level theories population ecology and (ii) micro and meso level theories.

This category of theories is more focused on start-ups. This might be due to several reasons. First, entrepreneurship have idea, innovation, new product or service development, creativity, opportunity, and the like. So, entrepreneurship theories are considered in the early phases of any business or organisation.

### **Stages of the Start-up Lifecycle**

#### **Pre Start-up**

Discovery- Identify a potential scalable product or service idea for a big target market. Validation- The service or product selected hits the market, looking for the first customers ready to pay for it.

#### **Start-up**

Efficiency -The entrepreneur starts with defining the business model and looks for paths to increase customer base constantly. Scale- Pushing the growth of the business dedicatedly while increasing its capacity to excel in every possible sustainable manner.

#### **Growth**

Maintenance- Maximising benefits and facing problems derived from the global dimension in terms of competition that the business has achieved Sale or Renewal – The decision to sell the start-up to a giant or acquire huge resources that the brand will need to continue growing as a venture.

### **Start-up business problems**

Start-up business problems are common when starting a business. Every new business will face some type of problems as it opens creating a business plan will help relieve some start up business problems before opening a business by helping to identify and budget the coast involved in solving these issues.

Some common issues are:

- Environmental issues
- Labour issue
- Business zoning
- Licensing and permit

**Environmental:** Environmental issues, such as global warming, increasing energy coast and environmental regulations, are a challenging problem for any business trying to make a profit. According to National Federation of Independent business's consumption poll, small companies spend their primary energy coast on operating vehicle, heating, cooling and for operating equipment. Business can control energy costs using energy saving devices.

**Labour:** Start up business problems concerning the regulatory laws for employees can result in compliance fines. Employees are costly and some stare require payroll taxes to be paid quarterly to matter how profitable the business. Start-up must report New hires to the state and budget payroll, administrative expenses and payroll taxes into the start-up costs to avoid start up business problems.

**Funding:** According to the US small business administration business owners without sufficient assets, business plan and poor credit can expect a turn down of their loan application. To avoid start up business problems

when getting financing make sure to review the financing background of all business partners.

**Zoning:** Start up business face problems when selecting location without considering the type of business they operate. Business owner must check federal and local zoning ordinance prior to selecting any business location.

**Licensing and permit:** All states require some type of business registration for tax purposes. To avoid start up business problems Check with Federal, State and local government agencies to determine licensing requirements.

**Any other issues are**

#### **Lack of Finance**

Cash flow is essential for start-ups to survive. One of the major challenges that small organisations face today relates to finances. As income increases, the expenditures also increase and to top it all, start-ups rely heavily on investors who provide them strong financial support. When such situations arrive, start-ups are the first ones who lose on properly managing their finances, and eventually succumb to the pressure. While startup have to checks that they have sufficient funds to go around, meanwhile, they also have to pay their contractors, employees and grocery bills.

#### **Poor Business Planning**

Good planning is very important for start-ups to get their businesses off the ground. In this technological world, having a formal business plan based on a false requirement of some institution is suicidal. Because of poor planning, many startups fail in the first year because they do not effectively manage challenges and pitfalls. Even if the organisations have good ideas and goals, but their business plans lack perspective, they are tends to fail or they have to continuously devise and change them.

#### **Lack of A Dedicated Team**

Because of not having a proper team, any organisation will suffer immensely. Lack of commitment leads to frustration in the organisation which very soon escalates into an open conflict between them. If the team members start have poor commitments due to the fear of being responsible, businesses will never attain their goals.

#### **Fierce Competition**

Competition is the most inevitable challenge that start-ups face. In fact, start-ups have to bear the brunt of facing two-way challenge: one coming from monopolistic businesses that have dominated the market and making difficult for newcomers to emerge. Second, there are countless start-ups that are launched regularly in the market having innovative ideas, so it is highly likely to get swallowed by the shadow of other start-ups.

#### **Managing the Start-ups to avoid Failures**

**1. Never underestimate competition or competitors:** 19% start-ups have been underscoring the challenge posed by their competitors. The competitors may out beat by their strategies. Start-ups should be able to develop the idea according to the market requirement to overcome competition.

**2. Serve the need of the market:** The idea followed by the start-ups should fulfil the market need otherwise customers are rarely interested in the model they prepare. 42% of the start-ups fail because of this reason. The start-ups should be quick to adapt and be innovative. The models developed should be able to satisfy the basic customer.

**3. Proper estimation of funds:** The most common problem faced by start-ups is shortage of funds. They somehow manage to get first round of funding but later when the venture requires more investment, they run out of cash. So, before starting of the organisation close estimation should be done. The good and consistent sources of funds should be known.

**4. Build a diversified team:** The founding team couldn't build an MVP (minimum viable product) on its own. Some of the founders will not encourage others to enter into their business. There should be sufficient manpower diversity to improve the synergies skills. A well-rounded team should be formed without any personality disputes.

**5. Proper Marketing:** A well marketed product can sustain whole business as seen in the case of many successful ventures. Knowing the target customers and getting their attention and convert them into leads.

**6. Pricing Strategies:** Pricing is the most important attribute which if set wrongly can be detrimental to the start up. To excel in the competitive market they should follow different pricing strategies which will incline customers towards their product or service.

**7. Customer Feedback should not be ignored:** Ignoring customers and not seeking their feedback can prove to be fatal flaws for most start-ups. Always pay attention to the customer's feedback and adapt the products /services according to their needs.

#### **Conclusion**

Start-up struggle for many reasons. Some even die, or never quite attain the degree of success as early they had hoped. They may not have anticipated obstacles and may not even know how to respond.

#### **Some of the challenges are**

- Money
- Neglecting marketing
- Lack of planning
- Finding the right people
- Time management
- Scaling up
- Lack of mentor

For any new idea to become successful venture it requires appropriate support and mentoring. At present day, start-ups are growing like a grapevine. Indian start-ups attempt to build the start-up environment with important education, talent, innovation and incubators with correspondence to funding agencies. Now the govt is also supporting the Start-ups. According to Nasscom, India ranks third in global start-up ecosystem. More than 68% growth is seen in the year 2016.Startup is an opportunity for an entrepreneur to educate and inspire others while some are thinking of how

to do and what to do. Actually, entrepreneurs are facing difficulties but still they are growing much faster they have the determination to setup and divert their energy to plan, support and execute their dreams and contributing to the growth of the economy. This new initiative of start-ups pledge rapid approvals for starting the business, easier exits, tax rebates and faster registration for the patents made easy for start-ups.

All start up faces challenge, but some can be avoided with careful planning. The other need quick decision when they do occur.

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