

INFLUENTIAL FACTORS OF START-UPS` DEVELOPMENT IN DEVELOPED COUNTRIES

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ABSTRACT

From the beginning of the 21st century, most countries throughout the world have been involved in employment problems and challenges. As a social problem with negative implications on countries economy, job deficit has been a hurdle in the way of economic development. Meanwhile, new-emerging businesses known as start-ups serve as a solution for the employment problem of countries. Different factors influence the development course of such businesses. The aim of this study was to explain the influential factors of start-up development in developed countries. Studies on start-up development revealed that the role of idea, investor, working team and the location of start-ups cannot be ignored in the process of start-up development.

Keywords: Start-Ups, E-Business, Developed Countries.

INTRODUCTION

Today, Information Technology (IT) plays a vital role in business development (Ebrahimi et al., 2018a). The expansion of start-ups is considered a critical activity with respect to the employment and economic conditions of countries. Start-ups create new markets for products and services which are produced based on innovation and creativity in countries. The development of start-ups is accompanied by the development of ideas, entrepreneurship and initiatives.

Studies introduce Germany, U.S., England, Swiss, Canada, Singapore and Australia as the heaven of entrepreneurship and start-ups. According to Forbes 2016 report, about 90% of start-ups fail in the early years of their formation. Since the main directors of these new businesses are generally experts, with low experiences, concentrating on failure reasons and the influential factors of start-up development can assist the practitioners of this field to develop their businesses (Kazemian, 2018). This paper tried to define and explore the influential factors of start-up development in order to guide the directors of this type of businesses.

Start-up

The history of start-up can be tied to the initiation of civilization and buying and selling different products by human beings. However, the beginning of the concept of start-up backs to around 1911 when it was triggered by Silicon Valley Company. IBM (International Business Machines) is one of the most important products of this company. In later years, this start-up could succeed to introduce itself as a giant software producer of the world. Apple is another old and successful start-up in the world. It was established by Steve Jobs, and you all know

how Apple was created and what difficulties he experienced to flourish this start-up. The Google is another famous start-up that we all use it. The idea of Google was put forward in 1997 and it initiated its activity and produced its products in 1998. Today, the Google search engine can be introduced as the most sophisticated and strongest search engine in the world (Mansoorifar, 2018). Start-up is a temporary organization aiming to find a repeatable and scalable business model (Rise, 2011). Generally, start-ups are founded around innovative and creative ideas. Indeed, clear-headed people with new ideas look for solutions to earn money from that idea and to achieve the mass production of the products or services associated with that idea (Naddafi, 2017). Start-ups can provide many advantages. The most important ones are (Ghaemi et al., 2017):

- Investors can be provided with new investment opportunities
- The alignment of industry and start-up-oriented ideas assists the industries of countries
- Joblessness rate reduces and social accountability increases in the society

Influential factors of start-ups

Start-ups create new markets for products and services which are produced based on creativity and innovation in countries. This is why start-up development is considered a vital element of economy. In the economy of any country, start-up development includes the expansion of creative ideas and initiatives, formation of new markets for a group of products, replacement of old and low-productive procedures with new and low-cost ones, elimination of country needs for importing some products, and even exporting new products, and importing currency to the economic system of the country. According to the results of the studies, only one of 10 start-ups can succeed. This has different reasons (Veriosky, 2014). The most important and reputable start-ups in developed countries are: Uber (the largest taxi service company which has not even one car), Facebook (the most popular media without content creation), Alibaba (the most valuable retailing market without even one workshop), Airbnb (the largest lodging system with no real state) (Farshian and Ranjbar Ali, 2015). There are different factors affecting start-up development which are discussed in the following:

Idea and thinking style

In the beginning of any innovative business, the important stage is to realize that what is our new idea for running this business and how valuable is it? The investigation and measurement of idea, before putting it into operation, can significantly aid to decide whether a business should be started (Noroozi and Mazloom, 2016). It can be argued, therefore, that *idea* is the first step of running a new start-up. The idea of a start-up remarkably differs from that of a traditional business. In start-up space, idea means a new business model or a new product to be sold through IT (Verbovskiy, 2014). It should be new, creative, technical, and free from legal and juridical barriers, socially acceptable with a high growth potential idea. The availability of required technical, juridical and financial capabilities and the analysis of social problems from start-up investors' points of view is the dominant assumption for a start-up success, whereas this assumption is generally incorrect (Naddafi, 2017).

Capital

Financing is an important issue in the beginning of a start-up, because if it is not practiced correctly, it would lead to the failure of that start-up. Generally, investors prefer to spend their capital in low-risk situations in order not to put their capital at risk (Alexi et al., 2012). This is



why financing a start-up in early steps is very difficult. This has made it difficult to start-ups to attract capitals and, in turn, has put a serious hurdle in the way of their activity in the very beginning so that attracting an investor is a main problem in the process of running their work. The so-called accelerator companies have been formed to finance start-up ideas. Iranian accelerators are very far from the ideal level while in developed countries, accelerators finance start-ups and allow them to be fully concentrated on their main work and not consider the financing problem (Kazemian, 2018; Miller and Band, 2011). It can be argued, therefore, that *capital* and *investment organizations and corporations* are important and effective edges of start-up ecology, playing an important psychological and operational role in the formation, development and success of newly-established businesses. Risk bearing is one of the dominant characteristics of start-ups. This makes the investors of this field look for successful companies of this field in addition to having superb ideas (Economy world, 2017).

Start-up team

Almost 37% of Indian entrepreneurs have introduced “having a fit team” as the most important challenge. Having a team with different talents and skills is very important for achievement (Sakhdari et al., 2017). In the literature of start-up development, having a large scale team does not necessarily mean having a fit team. During the formation of start-up teams, if entrepreneurs with successful experience in other start-ups were employed, the formed team would show a better performance and would be more successful in yielding good results for that start-up (Goochee, 2002). The following items should be considered in the process of employing human resources for a given start-up: employing individuals with supplementary, no similar skills and abilities, being familiar with individuals who become a member of the team (in order to make sure of their abilities) and the commitment of the individuals to start-up idea (Zhao et al., 2015).

A location for development

The successful development of a start-up demands a location for fertilizing and developing its relevant ideas. A start-up may be developed in accordance with the growth center of that business. Generally, most universities have a business growth center that provides administrative space, minimum production capacity and consultant specialists. Industrial parks are generally the most ideal location for developing the innovation of start-ups (Verbovskiy, 2014). Attending in a place filled by talents and ideas can aid start-up founders to push their start-up forward. In addition, attending in a suitable place causes audiences to use the products of that start-up (Yang and Chen, 2017).

CONCLUSION

Innovation in any business can lead to success and entrepreneurship (Ebrahimi et al., 2018b). Similar to any other business, start-ups can gain many achievements if they are provided with different supports. In addition to rising working capital, the success of start-ups can create millions of jobs. In the majority of such jobs, the capital ratio attracted through capital market or risk-bearing investors was less than 10% compared to their commercial value. Therefore, even in the peak times of economic crises where most industries experienced depression, innovative start-ups showed a rising trend. Thus, paying attention to the success and development of this type of businesses was of utmost importance. Different investigations and



studies on this field revealed that *developing idea* was an influential factor of start-up development. Therefore, one should consider that an idea that underpins a start-up activity can serve as a solution and a competitive advantage for developing newly-established businesses.

The selection of investor is another stage of start-up development process that can provide the infrastructure of the advancement and success of a business. Relying on the trend of investor attraction in developed countries, it can be concluded that it is better for start-ups not to arrange to attract an investor in the first stage of their businesses. Rather, it is better to let their start-ups reach a relative stability and then act to attract an investor. In developed countries, the durability and long-lasting of working team, besides working team selection, is another influential factor of start-up success. Therefore, in addition to considering the traits of working team members during team formation, educating team-working skills should be practiced in order to keep team integrity. Besides other factors, the location of start-ups affects the development of such businesses, because selecting a location filled by ideas and creativity will, undoubtedly, results in the development and success of innovation and creativity-based businesses.

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