Startups in a Nutshell

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Over the past decade, there has been an international boom of startup businesses, transforming the international marketplace. There are millions of new startups each year, but the overwhelming majority of them fail to last. However, it is important to keep in mind that the possibility of failure is an accompanying risk to any new business, it is an inherent part of the definition of a startup.

A startup is best defined as “an institute, created to get a new service or product, which is looking for a high potential business model and is developed in an extremal and unexpected environment”. This is to say that, if the right business model is chosen by a startup it will have a chance to succeed, otherwise it shall fail.

The number of startups worldwide increases significantly every year. However, approximately 50% of them fail in the first four years, 70% in ten, and eventually a total of 90% will fail. A 2018 study identified twenty core reasons why startups fail, the top ten are listed below.

Startup failure reasons

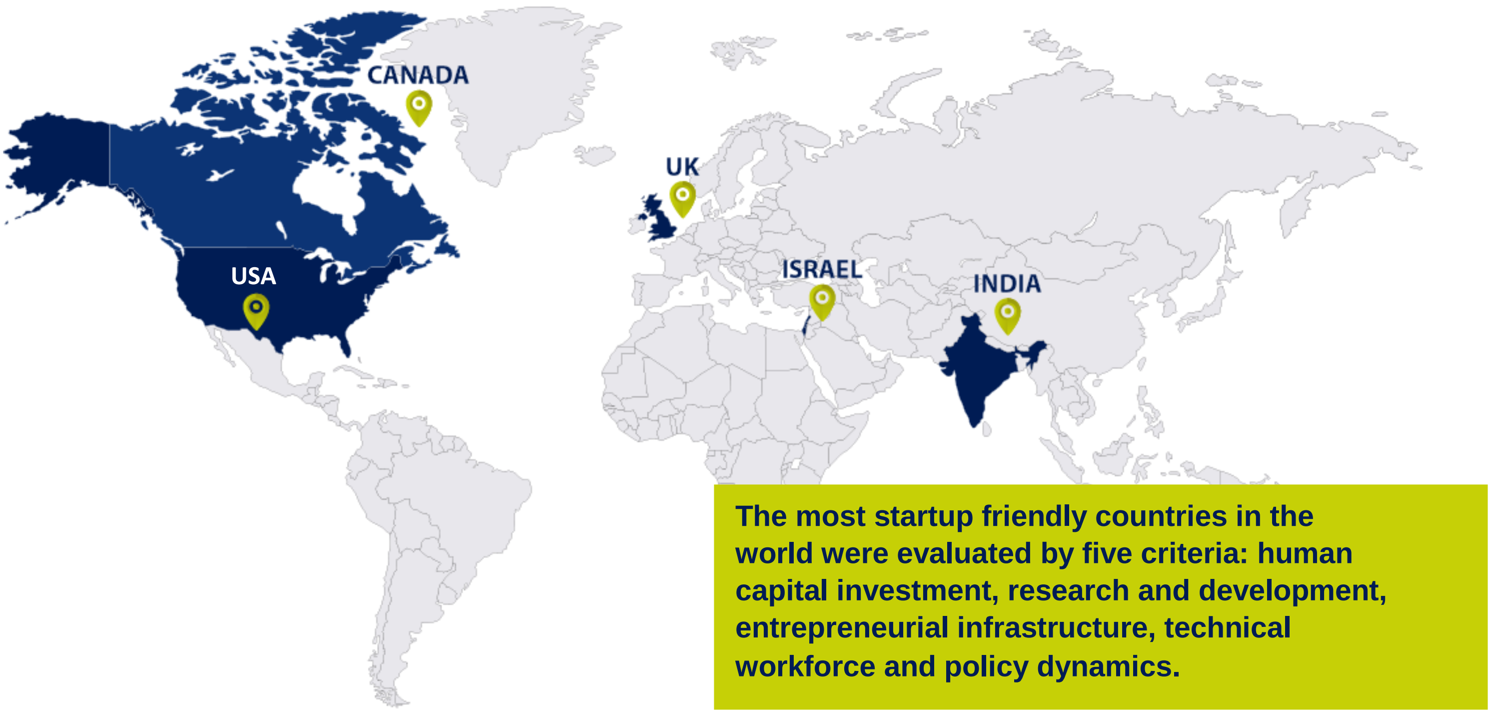
Source: www.cbinsights.com

This data highlights that central to most instances of startup failure is lack of planning. This is due to the fact that new businesses entering the marketplace are often unaware, or under-aware, of market demand, instead focusing too heavily on their idea. Beyond this, startups often fail to properly plan business models, financial and human resources and account for future competitors. Furthermore, after a startup is launched, it is imperative for them to implement an effective marketing strategy to attract customers.

The country in which startups operate can be an important contributing factor for startup success. Developed and fast-growing countries have the most attractive startup development environments. The Research was conducted to find the five most startup-friendly countries in the world. Nations were evaluated by 5 criteria:

human capital investment, research and development, entrepreneurial infrastructure, technical workforce and policy dynamics.

Top 5 startup friendly countries in the world



Source: Ceoworld Magazine

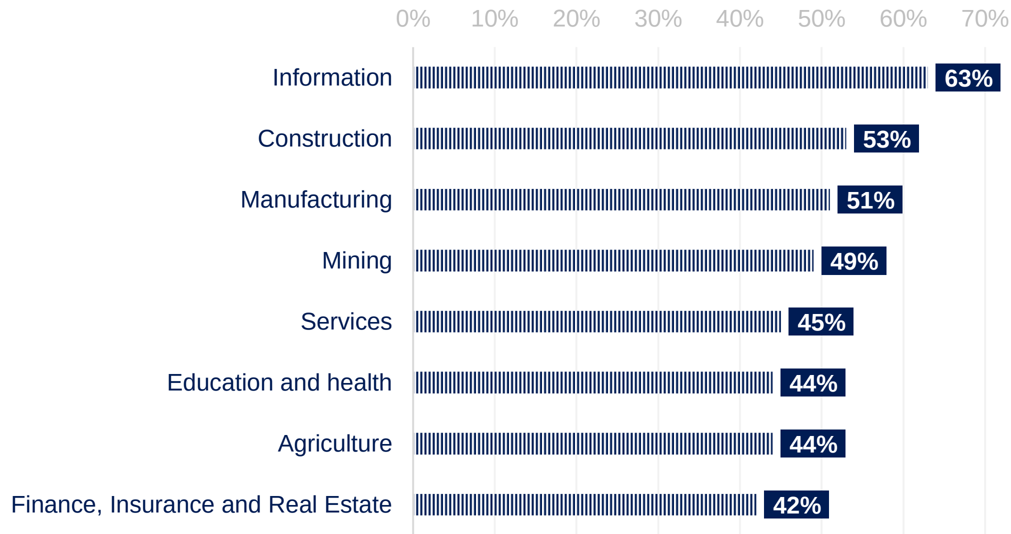
For a country to be ranked highly in this dataset requires the state to have:

- A highly educated population;
- A high level of research and development;
- Easy access to resources and support for entrepreneurs;
- Professional human resources;
- A stable political and business environment.

Evidently, there is a wide range of national factors that contribute to beneficial environments for startup success.

Finally, it is important to understand the specifics and difficulties of the industry in which startups enter. International statistics show the differing rates of success and failure across industry fields. The industries with the eight highest rates of startup failure are listed below.

Industries with highest startup fail rate



Source: www.failory.com

The data shows that service industries (e.g. instance finance, insurance and real estate, education and healthcare) are less risky than many others are. This is due to the difference in product and service development. Service is easier to adapt to customer demands and requires less financial resources and technical knowledge for development.

The number of startups skyrockets each year and almost all of them face significant challenges and barriers to success. Ultimately, many fail to overcome these barriers. The evidence shown here highlights that there are a myriad of factors that contribute to startup success – industry, location, and focus of the business developers are just some of the key ones.

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