



Redefining Entrepreneurship

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How can understanding the impact of external and internal factors on the success rate of start-up businesses improve their chances of succeeding?

Abstract

Start-up business are known for their innovation, scalability, and high risk of failure. An alluring gamble, tremendous amounts of money and effort poured into the company for the hopes of hitting big and becoming profitable. Despite extensive research in the field, the failure rate of start-ups remains alarmingly high, with nearly 70 percent never generating a positive return for investors. (Eisenmann, 2021) This raises the question, what is causing over half of all start-ups to fail?

A start-up business can be described as a rapidly growing new company, typically in an unprofitable early stage.

They are built with scalability in mind and typically focused on bringing a new innovative product to the market.

They are known for requiring extreme dedication and perseverance, requiring founders to make significant personal sacrifices such as giving up their health insurance and retirement savings. (EBSCO, "Current Issues in Entrepreneurship").

Literature Review

Internal Factors: Inside the Team

One consistent theme through literature and interviews with founders is the critical role of founder quality. Venture capitalists often prioritize the capability and mindset of the founder rather than the quality of the business idea. (Eisenmann, 2021). Focusing on soft skills, and traits such as adaptability and grit have a tremendous impact on how a company will navigate the countless issues that arrive when running a company. Start-ups struggle to find and retain quality talent. These companies need employees who are dedicated and creative; they need to be willing to put in the extra effort to succeed. These creative individuals require a more flexible management style, sometimes this can be stressful for leaders to maintain a positive structured employee culture while keeping their talent happy and free.

Thinking more on the operational side, a key factor is financial management. A frequent issue are companies burning their raised capital without fully understanding their market, creating a false start. To prevent this, a concept called MVP is used. A Minimum Viable Product, is the idea that start-ups should test their idea using minimal resources, releasing the most basic version of their idea to users to gain real customer feedback early on and make informed changes. This can drastically help to improve the chances of success and finding your niche in the market.

External Factors: Market Conditions & Shareholders

Thinking outside of the team and the employees, there are factors that are outside of your control. These include the market conditions, and macroeconomic factors such as access to funding and industry trends. It is extremely important to gather a complete understanding of the current economic shifts before launching new ventures. Understanding the market and the trends of what consumers are buying, the types of products and services is information that when utilized correctly can be game changing.

Another issue can arise when taking funding from shareholders. Sometimes these shareholders may not see from your same perspective and instead push the company to focus on profitability and short term gain rather than focusing on a long-term plan for sustainability and growth.

Method

To gather relevant and credible insights, I focused on interviewing individuals directly involved in the daily operations of start-up businesses – including founders, managers, and employees. My goal was to gather a diverse range of perspectives from those working in or managing small businesses, across various stages of development and industries. By engaging a diverse group of participants, I sought to increase the credibility and accuracy of my findings. This method helped to gain the most comprehensive detailed information possible for my study. I spoke with 5 different extremely qualified entrepreneurs, who have managed and created multi million dollar businesses.

Conclusions

Initially my idea was the most important factors to business success was market conditions, quality of idea and adaptability. However through my interviews, I was able to gain valuable insights into the internal and external factors that influence startup success. Across the board, participants emphasized the critical role of adaptability, strong leadership, and effective management. Internally, there was a strong focus on having a capable leader who can guide the company to success. This ability to make decisions and adapt to their surroundings was a consistent factor for success. Access to funding and mentorship were often highlighted as essential factors, despite being largely uncontrollable variables. The interviews also highlighted the importance of finding and hiring quality talent. It was a frequent theme among participants that hiring high-quality employees is crucial to long-term success. It's clear that a start-up's success is determined by the individual who creates the company and is in charge of pushing his employees to their maximum, and has the grit and determination to succeed at all costs.

Ultimately, these findings suggest that while ideas and markets matter, it is the people behind the venture—particularly their adaptability, leadership, and ability to attract strong talent—that serve as the true factors for success. For potential entrepreneurs, this means investing in personal development, building resilient teams, and seeking out mentorship may be just as important as refining the business idea itself.

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Next Steps

The future steps with this data is creating an actionable business plan for founders. This would help them to think of issues before they occur promoting adaptability and preparedness. By offering insight into management and financial management we hope to get rid of these existing challenges by offering expert strategies to overcome the most common challenges.