Chapter 1

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Chapter 1. 1. I'm Starting a Startup!

Yes, the day has finally come to shout it out to everyone, or at least let your family and friends know, that you've got a brilliant idea and you're diving into business. You're starting a startup! You'll be like Elon Musk or Mark Zuckerberg... some basement or garage will also be found... You can already picture the investors and customers lining up for your product, competitors in tears, fame, and glamour... WHOA, WHOA... hold your horses.

To make all that a reality, you need knowledge, a plan, time, and a fair bit of honest self-reflection. This guide will help you get a grasp of what a startup is, its pros and cons, the qualities you need as a founder, the steps to take, and the methods available.

It's a long journey from an idea to a product, so grab a notebook and let's dive into this guide together.

Note:

Ladies, I've used the male form to simplify communication. This isn't just by chance... The statistics aren't in our favour when it comes to founding startups. Research shows that the two most common types of founders are men:

Young startup founder (20-40 years old), who has:	**Old startup founder (>40 years old), who has:**
• a positive attitude • openness to cooperation with others • ability to set goals • not afraid to ask for feedback	• experience in marketing and sales • project management skills • ability to select people for the team • knowledge of how to raise money for investments

Trends, like everything else, change. There are more and more women stepping up, but knowledge stays neutral. So, let's take this journey together.

1.1 Startup...means actually what?

Definitions of a start-up

The term "startup" can have different definitions, but here are four of the most popular ones:

1. **Colloquial Definition:** A startup is a young, innovative company, often in the tech sector, that doesn’t follow established business models. It aims to bring a unique product to the market. It’s a temporary entity that becomes a full-fledged company once it finds its business model. Startups are high-risk investments with uncertain returns.
2. **Eric Ries's Definition:** He describes it as *“a human institution designed to create new products and services under conditions of extreme uncertainty.”*
3. **Krakow Definition:** A startup is *“an organization that uses external funding and market experimentation to find a way to create customer value based on innovation that can be scaled globally.”*
4. **Spiral Definition:** Dr. Skala, an expert with the Startup Poland Foundation, defines a startup as an organization with limited resources and uncertain demand for its products. The phases of startup development are:
    - Finding an innovative business model
    - Using modern technology
    - Launching a new product
    - Creating disruptive innovations that radically change how customer needs are met
    - Ensuring rapid user growth (hyperscalability)
    - Creating an effective mechanism to translate user numbers into revenue growth
    - Translating revenue growth into exponential growth in business value

1.2 A startup has more than one name...types of startups

Types of startups

Type od Startups	**Description**
Scalable Startups	These companies, often in the tech niche *(on page)*, aim for a wide global reach. Their products include apps, online services, or other digital offer-ings.

Type od Startups	Description
Self-launched Startups	Also known as small company ventures, these startups feature independent teams with minimal resources. They rely on self-funding, grow at their own pace, and face little pressure to scale quickly.
Lifestyle Startups	Born from passion and hobbies, these startups allow owners to make a living doing what they love. They typically have low scalability and modest returns on investment.
Startups to Buy	These companies are created to be sold to larger players for a profit.
Ventures of Large Companies	Startups initiated by big corporations, leveraging the parent company's resources and technology.
Social Startups	These focus more on making a positive impact than on making money. They might run charities, educational prsograms, or other socially beneficial projects.

1.3 Common Features of Startups

Despite the many definitions and types of startups, they all share a few key features:

1. **Innovation:** Startups don’t copy what’s already out there; they offer a unique product or service.
2. **Scalability:** They aim to create a business model that can be implemented in various markets, ideally worldwide.
3. **Potentially Fast Growth:** Startups are expected to grow quickly, offering large and speedy returns on investment.
4. **Technological approach:** using the latest available technology (e.g. AI), improving expired patents or other technological and scientific solutions.
5. **Short Operating History:** Typically, startups have been in operation for up to five years on average.
6. **Risk:** Startups are high-risk ventures with uncertain returns on investment.

1.4 Worth it or Not The Pros and Cons of a Startup

Figure 1. Pros and cons of a Sturtup. Image from: whatsup.es

Just like everything else, start-ups have their pros and cons. It's great to hear about the perks, but keep in mind that almost 90% of start-ups fail, so it's smart to check out the risks.

1.4.1 Advantages of a Startup

Advantages of a Startup.

1. **Low Cost of Entry:**Statistics show that 1 in 3 people starting a startup have a budget of less than $5,000, and there's often no need for a significant initial investment.
2. **Freedom:**You're your own boss, pursuing your own vision... until you need to deal with investors.
3. **Creativity:** Startups thrive on innovation, requiring layers of creativity to launch and sustain the business. Founders *(on page)* are often seen as visionaries.
4. **Flexibility:** Limited resources (financial or human) force quick adaptation to new solutions, work methods, or product directions.
5. **Versatility:** With small teams, employees often wear many hats and multitask.

1.4.2 Disadvantages and Risks of a Startup

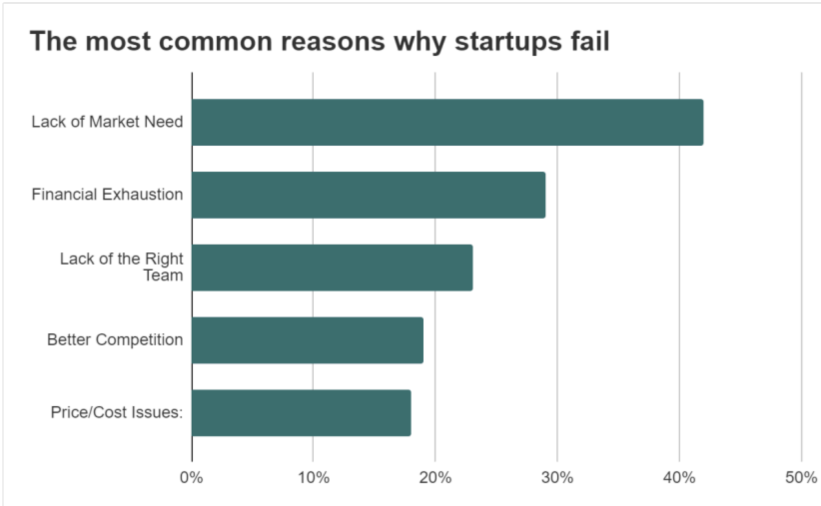
Disadvantages and risks of a startup.

1. **High Risk:** With innovative ideas, there's no blueprint to follow. Learning from mistakes is common, and the product might not meet customer expectations. The risk of failure is substantial.
2. **Funding Challenges:** Startups often survive as long as *(on page)*founders *(on page)* have personal funds or loan money. Finding external funding can be tough, especially with high competition. Without early investor cooperation or stable funding, even the best ideas can fail.
3. **Limited Resources:** Startups usually begin with small budgets and teams. This can hinder growth and operations, leading to internal conflicts. Despite limited resources initially, it's crucial to establish procedures and responsibilities over time.
4. **Lack of Defined Business Processes:** Poorly defined processes can lead to bad customer service, financial losses, and even legal issues. Outsourcing can help, but high costs are a barrier.
5. **Incorrect Business Model Assumptions:** Over-optimism can doom a company. Regularly test and update your business model to quickly address flaws and shortcomings.
6. **Ignoring Market Signals:** Stay vigilant. Launching a product is just the beginning; maintaining and expanding it is another challenge. Monitor customer behavior, competitors, and the broader economic and social environment to react swiftly. Wishful thinking doesn't work in business.

1.5 Why did the idea fail? Reasons why a startup fails

As I mentioned earlier, startups are high-risk ventures. There can be many obstacles that lead to failure. It's crucial to consider potential weaknesses - even at the idea stage. According to "The Top 20 Reasons Startups Fail" report, the five most common reasons are:

Figure 2. The most common reasons why startups fail.



1. **Lack of Market Need:**You have a groundbreaking product or idea, but is it a viable solution or just a catchy slogan? The assumptions and benefits might not interest your target audience or be practical for everyday use. When building a business model, make sure your product solves a real problem and is scalable. Remember, there's no need to reinvent the wheel.
2. **Financial Exhaustion:** Startups allow you to test an idea with low initial costs, but what happens next? If you poorly define the market need and business model, you might find that making changes is both time-consuming and expensive. Even external funding might not be enough if you need to rebuild from scratch.
3. **Lack of the Right Team:** You have the idea and the funding, but you don't have the people to bring it to life. Without a strong in-house team or a reliable external partner, your product might never reach the market, and you risk burning out.
4. **Better Competition:** Having competition is good - it pushes you to improve. You need to create a unique product that's hard to copy. If you don't react quickly to changes and customer feedback, you might lose out. Customers will choose a simpler, higher-quality, more effective, or cheaper solution.
5. **Price/Cost Issues:** The market is dynamic, and solutions developed 3-4 years ago might be obsolete now. If your product's price doesn't match its quality, customers will move on. Producing cheaply and pleasing investors doesn't always work. A flawed business model, high costs for changes or improvements, ignoring advisors, releasing products too early or too late, legal issues - many factors (often several at once) can make further investment in a startup unprofitable.