

# CA115 Digital Innovation Management Enterprise

## Week 3, Startups #1: Starting Up

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### Startups

- All sorts of organisations innovate. The most exciting, however, are often start up companies.
- Startups are new companies, almost always small, set up by entrepreneurs.
- An entrepreneur, "is a person who sets up a business or businesses, taking on financial risks in the hope of profit" ([OED](#)).
- Many of the major companies that you know about, though not all of them, were once start ups. [Google](#), [Apple](#), [Amazon](#), [Facebook](#): all of these were once tiny companies operating out of [garages](#), vans or student residences.
- They were started for different reasons, by very different people. However, they were all entrepreneurs.

### Startups Are Hard

#### Most Fail

- Starting a company is hard work and odds are against success.
- [Most startups fail](#).
- A typical start-up that fails after one year could easily burn about €100,000. See [Determining whether a business has what it takes to be successful](#).

#### Some Succeed

*"Startups are hard, with luck you'll have success".*

Some of the things that you might include in a recipe for success include,

- A good idea.
- Good market research.
- Hard work.
- Persistence.
- A lot of luck and an openness to luck.

### Why Startups?

Startups are the stuff that new corporations are built of:

- They bring new life, ideas and enthusiasm into industries.
- They are innovative and fast moving.

Some of the advantages of startups over large companies include:

- People working at their maximum productivity. Often very skilled people.
- Flexibility.
- Enthusiasm.
- Fun.

At the same time, large companies have many huge advantages including money and resources, structure and reputation.

## **Entrepreneurs**

### **What is an Entrepreneur?**

Startups are tools for entrepreneurs to innovate with. So, what are entrepreneurs like? Well, according to William J Stolze in his excellent book, *Startup*, entrepreneurs are people, often very different to one another, but who share some common traits. These include:

- A motivation to achieve.
- The habit of hard work.
- Nonconformity.
- Strong leadership.
- Street smarts.

### **Entrepreneurial Traits**

Stolze goes on to list some of the traits that are usually not found in entrepreneurs. These include:

- Gambling.
- High risk-taking.
- Compulsive hip-shooting.

He notes that everything else is more or less irrelevant - age, gender and so on.

## **More About Entrepreneurs**

### **People Become Entrepreneurs For Many Reasons**

- Some people are born entrepreneurial or are made so by circumstance.
- To escape a difficult situation or an unrewarding career.
- Others come to it later for different reasons, to chart their own course, for riches, to build something.

### **Which Comes First? The Idea or the Company?**

- Some people become entrepreneurs with an idea for a product or some other innovation. Out of necessity, and a motivation to achieve, they set up a company to make their vision a reality.
- Others are driven to form a company because they are entrepreneurial - they find an idea afterwards.

The second approach is the most common.

### **Being an Entrepreneur is Challenging**

The risk associated with creating a startup is financial, but also emotional. Creating a startup can put strain on your relationships and it can be a stressful undertaking.

Even if the company fails, however, the learnings are considerable and overall, if risk has been managed, it can end up as a positive experience in the long run.

# Starting Up

One decision that often needs to be made at the outset is whether to form a team or not. Sometimes this decision is easy: there's nobody obvious that you'd like to team with and you've been working alone. Some people work best alone. Still, there are disadvantages to going it alone and advantages to having a team. Some of the advantages include:

- Companionship.
- Maintaining motivation and pace.
- Having a mix of skills.
- Improved chance of success.
- Investors like teams for these reasons.

If you do form a team, however, remember that the old saying that a captain should never set sail with two compasses. Have one or three. If you sail with two and one is wrong, what do you do? Similarly, if a team of two people disagree, it can mean the end of a business.

In the next startup lecture, we will talk about product and market, the most important things.

## References

- Listen to [Gimlet Media's StartUp](#); this documentary is excellent and real. The start-up becomes the podcast.
- Listen to [How I Built This](#) from [NPR](#). If you listen to a few of these interviews, you'll learn that there's more than one way to start a company and that companies are built by many different kinds of people. The question about luck or hard work, asked at the end of each episode, is interesting. Many of the most compelling answers are those that acknowledge luck as a major component. You have to be open to luck, however.
- If you can locate it, read *Start Up : an Entrepreneur's Guide to Launching and Managing a New Business* (5th Edition). William J Stolze. 1999. Career Press, NJ.
- Visit the website of the [Local Enterprise Offices](#). These are government run offices with a mission to help entrepreneurs and small companies. They do good work.
- Browse through the [YC Startup Library](#), [Y Combinator](#). You can read about [Y Combinator here](#).
- I referred to the article, [Startup failure in Europe – Indepth Analysis](#). Stryber. April 2020.
- As well as, [Determining whether a business has what it takes to be successful](#). The Irish Times. May 2019.