

# From Startup to Scale Up : The Key Challenges

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## Abstract

The present study was an effort to identify the various impediments faced by startups in scaling up their business. The study also attempted to find the various factors that create a stumbling block for the new ventures to grow. The study was principally based on primary data and the essential primary data were collected from startup companies in Karnataka. A sample of 357 startup companies were selected using simple random sampling. To decipher the information regarding various impediments faced by startups in scaling up their businesses, survey method with structured questionnaire was used. Factor analysis was used to group various factors which are most inter-correlated with each other. Accordingly, we have logically labelled the factors as *utilitarian and judicial factors*. Further, to check the influence of independent variables (age of the founder, age of the company, and prior experience of the founder) on utilitarian and judicial factors ANOVA was used. The results of ANOVA show that the utilitarian factors are highly influenced by the age of the founders, age of the startups, and prior experience of the founders. The study successfully unwinds the factors that are significant for scaling up of startups to presume unattainable growth to build economic prosperity.

**Keywords :** Co-founders, founders, Karnataka, scale-up, startup

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The word startup is gaining cynosure in recent years. Particularly, in a country like India, it has strengthened its roots very firmly by gaining the attention of various stakeholders. India, being a vigorous and active start-up nations in the world, is home to majority of budding entrepreneurs who are less than 35 years of age (Malliakarjunan & Thimmaya, 2015). Behind the success story of every startup there are hundreds of failures. Startups being at the initial stage of the business cycle, may survive successfully for the first two to three years, and on the basis of favorable internal and external factors, it takes effort to cross different milestones in the journey referred to as *Scaling Up Phase* (Marian, 2017). According to Silicon Valley Report (2012), the large volume of financial rewards gained during scaling up phase makes it the most important phase in the business cycle. Establishing a new venture calls for challenges and risks which are unknown to entrepreneurs who often fail to scale up the business at the initial stage of business cycle and hence, many businesses are futile and are unable to succeed in the first twelve months of their operation (Mehralizadeh & Sajad, 2005). Well before establishing the firm, large percentage of startups seize their functions within a time frame of one year (Evers, 2003). The failure of startups not only affect business, but it also produces cascading negative effect on the stakeholders, employees, customers, suppliers, Venture Capitalists (VCs), and the society at large. Therefore, the Indian entrepreneurial ecosystem, rather than just fueling more startups should start nurturing more startups that have a potential to scale up. Many startups fail to scale up and prosper in businesses (IIFT, 2007), but the cause of failure is not well studied unlike the cause of business success (Bruno & Joel, 1988). Large number of startup companies face lot of challenges in scaling up business and lack strategies to mitigate the challenges leading to closure of business. As India is home to the third largest number of tech startups in the world, apparently in Karnataka, Bangalore is the hub to the largest number of technology startups in the country followed by

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