

START-UP: ECOSYSTEM SERVICES AND CONNECTIONS

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Abstract:

India being second most populous country is also home to one third of world's poor. This is coupled with a large young population. Employment generation is an important contribution of Start-up's to the economy and social system. There is emergence of several start-ups in India and some of these have become unicorns in very short time. The entrepreneurial activity display significant geographical variation which implies that some environments are more encouraging to such enterprise. The ecosystem in which start-up's operate consist of social, cultural, economical and political rudiments which define and influence the nascent enterprise and actors, risk taking propensity, mentoring, hand holding, scale-up and angel financing. The Government of India has launched an ambitious scheme 'Startup India Standup India' to nurture and support the start-ups. Many of the States have also launched their tailor made programme for start-ups, and the State of Rajasthan also has one such. Despite a large talent pool, available technical competence and entrepreneurial culture picture is not so rosy and road not smooth. The larger blocks hampering the enterprise are deficit of transparent and clear policy initiatives, market fragmentation, inadequate exposure, insufficient infrastructure, lack of knowledge and hitches of doing business. These are to be addressed by clear enunciation of policy and framework, consistency in regulatory environment. Development of an ecosystem of infrastructure, mentorship, hand holding and networking is essential for new enterprise. The connection between novice and experienced, between peers, with organisation providing services such as legal, accounting, infra, and with the government are essentially required. Various agents of ecosystem such as educational institutions, corporate, professional service providers, government and others have to come together to provide enabling conducive environment for entrepreneurs. To give fillip to the accelerated blooming of start-ups, regulatory and policy reforms coupled with stake holder engagement are prime prerequisite which forms the ecosystem service resulting into yield of employment and economic development.

Key Words: Start-up, Ecosystem, Agents, Start-up Space

Introduction:

India is only behind China in terms of population and even after 70 year is still tagged as developing economy. It houses a large young population with more than 60 % of it in work active age group of 17-59 years (NITI, 2016) with median age of workforce being 27 years. In spite of this it have a third of world's poor people. Employment generation for such a vast young population and providing for upliftment of poor is a huge task.

It is well understood fact that every business creates and destroys jobs (Kane, 2010). It has been argued that start-ups creates more jobs than it destroys, thus in fact start-ups are job creator, which is very important for

highly populated country of young like India, there role in economy cannot be ignored (Kane, 2010). In addition to other factors conservation of natural resources, education and economic growth depends on its business's ability to innovate products & services and the role of start-ups is ever increasing in it (Martin, 2010). These can be credited with growth at micro to regional and national levels. These start-ups have disrupted business dynamics and contributed to some of major breakthroughs and innovations.

It has been seen that some of the regions show more entrepreneurial activity than other, highlighting the element of environment of these regions play an important role. Silicon valley being such an example. Similarly, Bengluru in India is credited with number of successful start-ups. Over the years concept of ecosystem has been developed greatly and used in many areas other than nature, where it was initially applied. In natural ecosystems various species interact with each other and with nonliving components to form a unique diversity and system. Similar concept has been applied for the Startup ecosystem, wherein start-ups and their supporting forces interact in environment that shapes startup's development and growth.

India is among the top 5 startup hubs in the world. With in India, Bangluru is first followed by Delhi-NCR and Mmbai in that order. Emergence of these hubs points to certain characteristics unique to their ecosystem. As per Startup India programme there are more than 36670 registered Startups, 141 incubators, 41 investors, 50 accelerators, 284 mentors and 26 Governmental Bodies on Board (Startup India).

Startup

There is no unique definition as to what constitute a startup. However, most definition have core veering around the definition of U.S. Small Business Administration which says "business that is technology driven and oriented and has high growth potential", the growth potential be growth in revenue or in employment or both or scaling up of the product or services to wider market.

Most common used definition is by Steve Blank (2013) which states "a temporary organisation in search of scalable, repeatable, profitable business model". Startup is not a toned version of a large business, but it disrupts the marked dynamics in quest of new business model, learns from failures. Crowne (2002) classified the startup as "an organisation with limited experience, working with inadequate resources and influenced by several factors and use of dynamic product technology". Erik Ries (2011) distinguished it as "a human institution designed to create a new product or service under conditions of extreme uncertainty".

The Government of India defines a startup under its "Startup India Standup India" as an enterprises which has been incorporated not more than seven years earlier, has not achieved business turnover of Rs 25 crores in any of previous years and is not a spinoff or split or restructuring of earlier existing Business and working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Ecosystem

Ecosystem is made-up of two Greek words 'eco' means home and 'system' means complex. This word was commonly referred in biology or environmental science, wherein it is primarily referred to as an interacting system of biotic components and abiotic components (Tansley, 1935). The ecosystem concept with evolutionary principals attracted many researches in other allied fields including economics and management (Thomas, 1991; Alchian, 1950; Nelson and Winter, 1982).

According to Moore, "business ecosystems condense out of the original swirl of capital, customer interest, and talent generated by a new innovation, just as successful species spring from the natural resources of sunlight, water, and soil nutrients" (Moore, 1993). The mapping of biological systems with business systems



substantially helps in understanding the complexity of relationships and interdependencies as features of business ecosystems, in terms of both their nature and the manner in which the various stakeholders interact (Theodoraki and Messeghem, 2017).

The aspect of complexity of business environment is a crucial determinant for recreating competitive advantage and foster innovative approach in products and services. The construct of ecosystem greatly enhance understanding of the Startup and entrepreneurial success and the factors contributing it.

The systemic conditions such as networks of entrepreneurs, finances, knowledge, infrastructure, support mechanism, talent, leadership are at the core of startup ecosystem much like the living species in biological ecosystems while constraints entails social context enabling or restricting human interactions (Stam and Spiegel, 2016). In different way Autio and Levie (2015) and Sussan and Acs (2017) used the terms agents and micro-ecosystem, referring to the biotic component and institutional and macro-ecosystem for the abiotic component of the entrepreneurial ecosystem.

The dynamics of ecosystems are analyzed through ecological concepts such as diversity, selection, related diversification, resilience and adaptation (Auerswald and Dani, 2017; Boschma, 2015; Alvedalen and Boschma, 2017). In particular, the ecosystem approach draws attention to the fact that entrepreneurship takes place in a community of interdependent actors, individuals, entities and regulatory bodies within a given geographic area (Freeman and Audia, 2006; Isenberg, 2010; Malecki, 2011; Kuratko et al., 2017).

Although entrepreneurship and start-ups are used interchangeably however it is said that entrepreneurial ecosystem generate new ventures through interaction of interdependent components (Cohen, 2006). Mentoring of startup and entrepreneurship are two interrelated different things, entrepreneur can launch a startup. Cukier et al. (2016) defined a startup ecosystem as: “a limited region within 30 miles (or one-hour travel) range, formed by people, their startups, and various types of supporting organizations, interacting as a complex system to create new startup companies and evolve the existing ones” (Cukier et al., 2016).

The environment in ecosystem is generally defined by the researches as regional or local area such as township etc. whereas various actors and stakeholders considered as Governmental & Local Bodies, Financial Institutions, Educational Institutions and infrastructure organisations.

Agents of Startup Ecosystem:

Entrepreneurs:

Unarguably, it is the most important and foremost actor or agent of the ecosystem, which wants to establish a business for providing service or product to potential market. Mentorship to the entrepreneurs is being provided by the incubators and accelerators, which provide help in developing a business idea and establishing a startup. The mindset also plays an important role in success & failure of a startup. Too much optimism or belief in once idea develops in dogmatism leading failure of such enterprises.

Incubators:

In early stage of development role of incubators is immense and crucial for startup. These provide co-working space, help in developing ideas, arrange meetings between and among the entrepreneur and mentors and garner public and private support. These are crucial in establishing connections between the various actors/agents in seed stage of startup and giving shape to idea in form of product or service and test the same.

Accelerators:

After incubation if founder had developed an inventive and potentially business disruptive idea, advance level of support and mentoring is required for better product-market fit, applicable business plan, networking,



advance funding which is provided by the accelerators. Accelerator programs can help in removing hurdles during growth stage of a startup.

Government:

A key support actor is Government, both federal and State. The creation of conducive environment for fostering start-ups is prime responsibility. It creates programme which lure investors to invest in the region. It collaborates with the incubators by providing funds, create funds for incubation, and frame policies. The Government of India hugely invested through “Startup India Standup India” programme. The Government of India recognised more than 40 incubators and also created a Rs 10,000 crore fund of fund for startup funding. 22 State Governments have framed startup policies. In fostering the startup ecosystem Ranking of States have been done.

Mentors:

Mentors play an important role during incubation and acceleration. The early stage founder and teams require a proper mentorship. Those having experience with several startup developments are better suited for the role. It has been often seen that such network connection between such mentors and newbie’s is critical for early stage success.

Investors

Established Organisation:

These provide capital often in collaboration with government to nurture local talent. The investment create a win-win opportunity for both parties established companies can use the opportunity to invest in research and development through the medium of startups, whereas start-ups can gain customer trust if established companies support them [P56].

Angle Investors:

Seed investment is most common in early stage of the startup, which is primarily provided by the incubators, accelerators, angle investors, bootstrapping, and is required for preliminary development of product & business.

Venture Capital Funds:

VC funds are the barometer of startup eco system. These are investors consider investing during stage B & stage C funding. Often local funds make investments in stage B whereas the international funds invest in stage C.

Other Investors:

Banks also provide funding to startups in the form of loans. Another source explored in some cases is crowd funding, in which startups sell their company shares to the public to generate money. However, bank loans and crowd funding are less popular due to inherent uncertainty of start-ups and risk averse nature of Banks and public. Government funds are also among the major funding source for startups. Governments create investment funds to establish an optimum environment for startups to grow and promote entrepreneurship in the region (Bradley, 2012).



Interactions and Connections:

Legal Framework:

The legal aspects of incidence of taxes, IPR, bureaucratic interventions, policy often impacts location and migration of startup. Fast growing startup often shift to places where legal framework is beneficial for them which results into loss for the local region in terms of cash and human capital.

Media:

The awareness about the products and services is essential in generating interest among the potential users, customers, venture capitalist wherein social media, news agencies play an important role. Blogs are also a potential medium for the start-ups.

Events:

Events are an important connection for creating awareness, networking with talented individuals, bonding with potential co-founders, attracting investors and catalyst for a culture of innovation and startup in the region. The events provide opportunity to establish face to face connection with agents & actors, discuss problems and sharing knowledge.

Co-working space:

Finding a cost effective space for collaborating with incubators, investors, mentors is often a constraint for the startup founder. A space/studio/laboratory where incubators, venture capitalist, mentors and others meet to support founders and entrepreneurs in nurturing startups is termed as co-working space. It is enabling element for sharing information and culture to motivate startups.

Finance:

Finance is one amongst the most critical components of the startup ecosystem, presence or absence of which can make or break a startup. The venture require different type of funds at different phases of development. So there are different ways of receiving funds and different investors in the system.

Market

The growth of startup is proportional to the active users of their products and paying customers. The two key markets are local market and global market. These define the potential size for their target market. Small size of local market or reluctance of it to accept the product being offered often impact startup and compel to think of global market which is difficult in early stage. Small scale of local market as is case with Hong Kong, Israel or South Korea forces startup of these area go global early. This requires good collaboration with global companies.

Consumers:

The understanding of customer needs and aspirations is important for a startup to succeed. The customers from the larger cities are better target for start-ups as compared to the smaller cities, in drawing to become potential customers.

Education:

Many of the earlier insights consider education as an important element of startup ecosystem, prime reason behind early startup being mostly technology driven requiring software and computer knowledge. Looking to the factors Government of India is supporting incubation centres in many Universities and technological institutes. Further it has developed modules specifically for education of potential startup founders. It has also supported tinkering labs to create startup culture.



Educational Institutions:

Large number of start-ups has failed due to lack of entrepreneurship knowledge (Zavodska et. al. 2016). The role of educational institute is crucial in nurturing local talent, promote entrepreneurship and enhance innovation. This can be achieved by designing curriculum to support and promote entrepreneur mindset among the student.

Experience:

A person with academic and professional knowledge and individuals with practical experience in various aspects of product development, marketing and funding can adept during startup creation and management. Persons with such experience at global scale can educate as mentors.

Human Capital:

The talent of founders and early employees is a key element of creation and scale-up of Startup in an ecosystem. The skill set of human capital is an important cog and one of the most important resources for Startup development.

Technology:

Most of start-ups are based on the products that incorporate the use of software and technology. There are many factors which impart relevance to technology for innovation and culture.

Geography:

Technology and geography are interrelated in a startup ecosystem. India being a large country and with large population using mobile has fostered growth of various products delivered through mobile, like Unified Payment Interface (UPI).

Established companies:

Established firms impact the regulation of the growth of early-stage firms (WEF Report, 2013). For example, Infosys provided impetus to startup culture in Bangluru. The technology giant IBM has provided all kinds of support tools and solutions to Armenian startups to make their business processes easy and transparent (Gasparyan, 2015).

Industry:

The industry predominant in the area also impacts the technology of the local startup ecosystem. For example, in India, the e-commerce sector is becoming more important because of the recent startup success of Flipkart and Myntra, whereas in Japan, startups target big data and mobile gaming.

Innovation:

Innovation has an impact on technology which in turn impacts startup and develop innovative technology products.

Product:

Another important sub-element related to technology is the product that a startup develops. It also found that most startups consider themselves as software producers aiming to create a product that could align with the technology industries in areas such as mobile applications, e-commerce, and web services.



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