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"DIFFERENCE BETWEEN STARTUP AND SMALL BUSINESS"

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ABSTRACT

Start-up and small business are born of the same lineage, but they differ in as many ways as they are similar. Depending on who you ask, you will hear that the two are either synonymous, or completely unique; nevertheless, there is a reason for different titles. So which type of business do you have—and what does it mean for you? Here we take a look at the key characteristics of the two types to find out what defines as a start-up, or a small business. A start-up company is by no means superior to a small business, or vice versa. Founding a start-up can be more exciting, and more risky. Small business owners may have more precedent to work from, but we certainly couldn't say that it's safer. To run a new business, start-up or otherwise, always involves keen instinct that requires entrepreneurs of every kind to stay frosty—adapt to change, and manage risk. Either way, the key to success is to, as always, prepare well and aim high. This Paper focused mainly the difference between these both.

Keyword: *Start-up, Entrepreneurs, Small businesses,*

INTRODUCTION:

"Start-ups looking for angel investors or venture capital (VC) absolutely need an exit strategy because investors require it. The exit is what gives them a return."

– Tim Berry

A startup is often misrepresented as being a new small business, but there are significant differences defining them. Starting a small business isn't easy, even when there are similar examples to learn from. Bringing a startup to fruition is even more difficult. While a small business will look to start generating cash quickly, startups might go through many rounds of funding and investment. Their plan might include a budget that doesn't seek to be profitable for the first few years; they focus instead to carve out a brand new market or to disrupt an industry and gain market share. Look at Uber as a perfect example of a startup.

REVIEW OF LITERATURE:

Startups play a key role in innovation processes (Colombo and Piva, 2008; Davila *et al.*, 2003; Mustar *et al.*, 2008).

According to the well-known definition by Steve Blank (2010) a startup is a company, a partnership or temporary organization designed to search for a repeatable and scalable business model. Through the startup phase, new ideas are brought to the market and transformed in economically sustainable enterprises. New firms are artefacts for transforming entrepreneurial judgement into profit (Spender, 2014).

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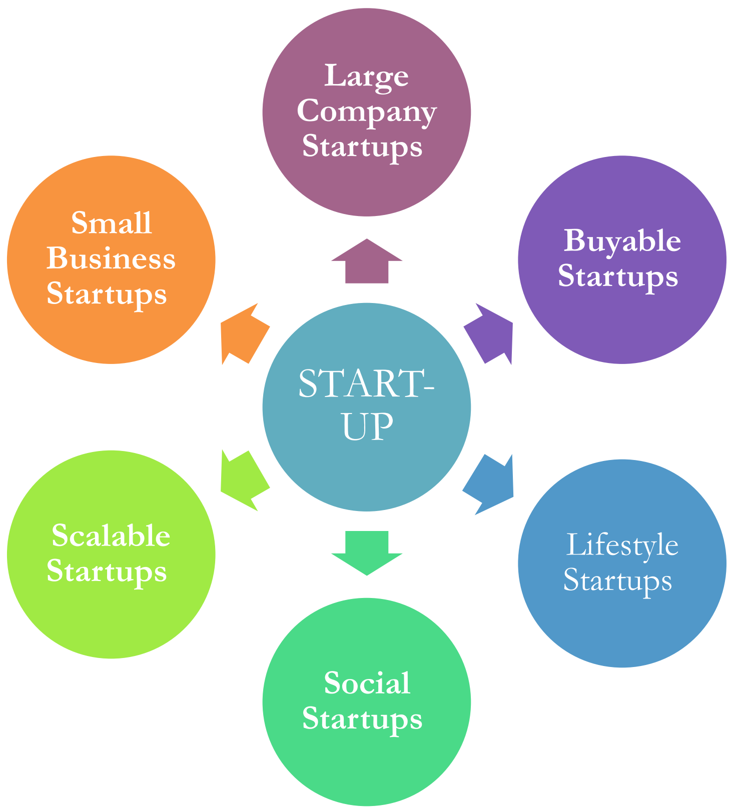
Chesbrough's (2012) study of GE's experiment with startups, ecomagination challenge, proves that not all the links with startups are fructuous and that relevant relationships between large incumbent firms and startups need to evolve from simple links to complex relations in order to be beneficial for both parties.

Open innovation (OI) is an emerging area that has followed several different strands due to the multidimensional nature of the concept of openness (Spender et al. 2017).

MEANING OF STARTUP:

For the most part, startups focus on fast growth and high-end revenue. They are often identified for using technology in their services, usually relying on raising lots of money from angel investors, venture capitalists and crowdfunding platforms at every stage of their growth. Because of this funding model they can attract the best talent to come and work for them and see their product as changing the world. But there is more to startups than this. The entrepreneur magazine lioness sees startups coming in six different forms:



Buyable Startups –

These are companies that are founded to be bought out. This type of startup has become recognisable to everyone, mostly on the web or mobile app market. It is the pipe-dream of every tech entrepreneur.

Large Company Startups –

Offers new products based on their core products, like sportswear or electronics companies. These startups sustain growth by continuous innovation.

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Lifestyle Startups

Where entrepreneurs live the lifestyle they love. For example, a surfer opening a surf shop so they can fund their own surfing.

Scalable Startups –

The most typical vision of what we like to think a startup is. These are companies that like to think big. Like Google or Facebook, scaleable doesn't just mean getting bigger, it means world domination.

Small Business Startups –

Essentially these are just small businesses, but as they are often treading new ground for their owners and because they are new, they are still startups.

Social Startups –

Instead of wanting to scale-up their enterprises, social entrepreneurs prefer to share wealth or at least create a better world.

MEANING OF SMALL BUSINESS:

Perhaps one of the key ingredients in what defines a small business is being small and recognising consistent returns rather than growth as its fundamental goal. However, depending on what kind of industry it is in, the term small business can be subjective. An engineering company employing hundreds of workers can be termed as a small business in the same way that a marketing company employing just two people can be. It's not the size of the small business that matters, it's the company you keep in your industry. There are benefits to being a small business that larger scale enterprises and many startups do not enjoy. The advantages of having a limited company come with the legal distinction of the business. Not only does it have a protection for its business name, personal assets are not at risk and there are tax benefits to consider.

KEY DIFFERENCES BETWEEN A STARTUP AND A SMALL BUSINESS:

INCREASE THE VALUE:

Startups are often backed by venture capital groups. Getting funding requires start-ups to clarify growth projections and how the proposed investment will increase the startup's value. Pitching to venture-backed companies means demonstrating a business model that shows how this growth will be achieved and how it can increase the value of the startup.

INVESTMENT:

Startups have an essential need for rapid growth. It is an essential principle inherent to how they are funded. At every stage of their growth, more investment is required in order for it to reach the next level.

MARKET TARGET:

This is why user number metrics are so important to startups as they indicate what percentage of their target market has been achieved and how likely it is to capture an even bigger market share.

PROFITABILITY:

Profitability isn't necessarily as important as growth, as investment isn't something that needs to be paid back in the same way as business loans are. For instance, Facebook and Twitter didn't see any net profits until they were already well-established companies and had already gone through multiple rounds of funding.

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RISKIER PROSPECT:

Startups are often formed because of a founder's need to create something new. That something new could be a new product or a new service or an entirely new way of marketing something. This means that the amount of work required to create it from nothing is often significantly more than that of a small business. This makes it a much riskier prospect. Small business also take on a fair amount of risk by going it alone, but the risk is different. Most small business owners aren't creating something new. Their businesses already have a fairly proven business model to match up to (or improve upon). Because small businesses are not solely focused on growth, the timescales for success are often much longer.

Small businesses can afford to take things slower to reach their goal, start-ups don't have this luxury.

FUNDINGS:

Small business don't need to demonstrate such steep revenue projections because it isn't approaching large venture capitalists whose sole interest is increasing investment wealth. So most of their funding comes from small business loans from the bank or from alternative lenders. Since small businesses usually don't plan to scale up in the same way as startup, additional rounds of funding aren't needed either.

CONCLUSION:

Startup and small business and have more scope for professional growth", the title itself is big. Business in India is not only huge ones but also small and medium scale companies or the start-ups which requires professional growth in order to expand in a better way.

Small business is that business which has started but lack management skills and expertise and is not well versed with the management concepts and conventions and principles which need a professional touch to grow. Some of them are cottage industries, ancillary units, handicraft industries are so small and if they given a professional mixture of modern principles it can also grow in a better way and they also can expand themselves can bring in FDIs and increase GDPs of the country. Same also with the start-ups, they have just started their businesses and still need to grow very much as they too need practical and professional touch. These industries can grow well if there is planning, co-ordination of all members and through modern principles of management they can have that professional touch in them. But they have to keep a watch as to when and where these principles have to be applied otherwise they will land up to nothing. So being conscious at least and practical will help to them to grow at a faster pace and they will have many opportunities in front of them waiting for them.

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