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Identifying The Barrier to The Success of Startups in The West of The Country Based on The Grounded Theory Approach

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Abstract

The contribution of start-ups in the economic development cannot be denied, however, their launch and survival will have challenges.the aim of this research identifying the barrier to the success of startups and presenting a conceptual model in the west of the country with a qualitative approach and using the strategy of grounded theory and systematic method. The statistical population of the research is 14 scientific and executive experts in the field of, who were selected for interviews in a targeted manner and through the snowball sampling method. Semi-structured interviews were used to collect data until theoretical saturation was reached. Data analysis was done in three stages of open, central and selective coding, the result of which was the identification of barriers, concepts, categories and factors, and finally, the formulation and conceptual model of the research. The findings of the research showed that the failure of startups is the result of various factors, including causal barrier (weakness of human and technological infrastructure), contextual barrier (internal anti-motivational, investment gap, weak cultural and perspective weakness), intervening barrier (competitors' immorality, Non-cooperation of relevant institutions, inhibiting government laws and regulations, inhibiting environmental factors, lack of customer trust and weak management model) and strategic barrier (weakness in product presentation, lack of creativity and innovation, lack of attention to the primary target market and inappropriate design of the business model).disruption of human resources and balance of capital-cost-income cycle, reduction of market share and waste of resources were identified as consequences of failure of start-ups.

Keywords: Start-up, Barrier to Success, Grounden Theory, West of the country.

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Introduction

Entrepreneurship has emerged as a pivotal launchpad for transitioning towards a more sustainable economy, thereby becoming a paramount priority for policymakers and social stakeholders(Palmie & et al,2021). The novel job opportunities stemming from startup activities paint a promising future for nations(Harlin & Berglund,2021). New startups play an undeniable role in the economic development of any country and are considered the backbone of the economy. The growth of startups significantly contributes to development at the industrial, national, and regional levels by leveraging new businesses and job opportunities, thereby acting as an economic catalyst in the contemporary competitive era (Abbas & Liu,2021; Frare, A. B. and Beuren,2021).

Problem Statement

Startup failure rates hover around 90%(Cubukcu, Gulsecen & Tayali,2017). This high failure rate is largely attributed to mismanagement, which jeopardizes the very existence of these ventures(Aminova, M. & Marchi,2021). Start-ups are subject to a higher risk of failure compared to traditional companies, lack established business models, have lower levels of legitimacy, and are dependent on collaboration with similar industries (Barbalescu et al. 2021). For these reasons, they are constantly exposed to both failure and success, which can reflect varying degrees of organizational resilience (Ferrar and Bjorn, 2021). Based on the defined metrics for determining the level of success of start-ups, only a few of them achieve success and acquire the title of "unicorn" start-up. The emergence of unicorn start-ups is made possible by identifying new opportunities that distinguish them from their peers and gaining strong competitive advantages through innovation in a specific market.To gauge the success of companies, researchers analyze indicators such as profitability, market share, customer satisfaction, and employee satisfaction. Based on these defined metrics for assessing startup success, only a small number achieve significant growth and earn the coveted "unicorn" status. Consequently, identifying and addressing the barriers to startup success can facilitate regional development at both micro and macro levels. This research aims to answer the following questions: What are the causal, contextual, intervening, and strategic barriers to startup success in the western region? What is the appropriate conceptual model that elucidates the relationships between these barriers and their resulting consequences?

Methodology

A qualitative research approach, grounded theory strategy, and a systematic method were employed in this study. The study population consisted of 14 scientific and executive experts in the field of startups from the provinces of Kermanshah, Kurdistan, Hamedan, and Ilam, who were selected through purposive sampling and snowball sampling techniques for interviews. Semi-structured interviews were conducted to collect data until theoretical saturation was reached. Data analysis was conducted in three stages: open coding, axial coding, and selective coding. The outcome of this analysis was the identification of barriers, concepts, categories, and factors, ultimately leading to the development of a conceptual model for the research.

Findings

The research findings indicated that the failure of startups is attributable to a confluence of factors, including causal barriers such as deficiencies in human and technological infrastructure. Furthermore, contextual barriers, such as internal demotivating factors, investment gaps, a weak cultural context, and a lack of vision, significantly contributed to startup failures. Additionally, intervening barriers, including unethical competition, a lack of cooperation among relevant institutions, and restrictive government regulations and policies, acted as hurdles. Moreover, environmental barriers, such as a lack of customer trust and weak management models, and strategic barriers, such as deficiencies in product offerings, a lack of creativity and innovation, a disregard for the primary target market, and poorly designed business models, further compounded the challenges faced by startups.The main findings of the research are defined in 5 propositions.

Proposition 1: "Weak infrastructure," including weak human infrastructure and weak technological infrastructure, are among the causal conditions that affect the failure of startups during their operation and movement towards predetermined goals.

Proposition 2: Unfair competition, lack of cooperation from relevant institutions, restrictive government laws and regulations, lack of customer trust, and ultimately a restrictive environmental condition act as intervening factors in the failure of startups.

Proposition 3: Internal demotivating factors, investment gaps, a weak cultural base, and weaknesses in vision and mission will create the conditions for the failure and defeat of startups.

Proposition 4: Neglecting the primary target market, lack of creativity and innovation, weakness in providing a market-oriented product, and improper design of the business model are specific strategic actions that, when manifested as strategic barriers, lead to the failure of startups.

Proposition 5: Ignoring strategic barriers, which are heavily influenced by intervening, background, and causal barriers, causes a disruption in human resources and the balance of the investment-cost-revenue cycle, waste of resources, and ultimately a sharp decrease in market share in startups.

Conclusion

The research findings indicate that causal, contextual, intervening, and strategic barriers to startup failure lead to a disruption of human resources, an imbalance in the capital-cost-revenue cycle, a decrease in market share, and resource wastage as consequences of startup failure. Consequently, to prevent startup failure, it is imperative to overhaul and reform the infrastructure related to human resources, technology, and investment policies. Furthermore, it is crucial to strengthen the enforcement of legal protections and garner financial support, conduct thorough needs assessments and market research prior to product development, and, finally, incorporate indigenous and local subcultures into human resource and financial policies within the operating environment.

A novel finding of this research is the role of cultural context in the failure of startups. Indigenous and traditional cultures, subcultures, family dependence, and extreme tribalism are among the cultural factors influencing the failure of startups in the western region of the country. These findings emerged as a secondary analysis of interview data.

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