

# What is the Single Biggest Problem Faced by Startups Today?

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## When startups fail, we all know that a major reason is that they run out of a funding runway, it's not that their products are bad

FABANEWS: This is a trillion dollar question. When we talk about startups, we imagine Uber, Airbnb, Ola, Groupon, Slack, and a host of other startups that we all see in the news. Startups have made it to the big league and have inspired a new generation, who all want to get in on the action! Most countries in the world have realized the importance of startups and are starting to woo them with offers of infrastructure, funding, market access and a host of other goodies. The deal flows have not stopped here. Even regions in countries have realized the importance of Startups, and are making offers specific to their regions. This has happened mainly for European regions, particularly Western European Regions like Bavaria in Germany. However, it is only a matter of time before it becomes a flood among Europeans as Europe struggles with challenging economic and integration problems. With the difficulties faced by the UK government with Brexit, any immigration hostility they had for people outside Europe has evaporated and they are seriously looking at matching any offers to startups and technology companies who will contribute to their economy. North America is still largely out of this loop. They have the jewel of the startup world, Silicon Valley. However, with present government policies under Trump creating instability and trade disruptions, they will also have to look at alternative ways to engage startups.

### The Definition of a Startup

We won't go into the actual definition of a startup as it has been bandied about endlessly. In fact, when it comes to startups, we seem to have missed the wood from the trees! We are all so used to the regular perception of what a startup is that it has become gospel truth! In reality, the very concept of a startup is beyond the narrow definitions offered across the globe. We juxtapose our version of reality without going deep, and this ignores a major learning curve which is in the DNA of all the startup journeys. We forget that every company from a GE, Apple, Microsoft, and Amazon were startups. And we also forget that for every success, there were a thousand failures. We look at startups today as companies that have a minimum capital, minimum size, minimum turnover and minimum clients. To prevent startup failures, there are a large number of initiatives to improve their success ratios and cater to the positive publicity this brings with it as a bonus.

### The Wood from the Trees

And, that is the crux of the matter. Governments, Associations, Countries, and Regions have a number of initiatives to help startups succeed. These range from venture funding opportunities, mentorship, training programmes, and connects to the industry. To be honest, compared to what other industries receive, these initiatives make the startup industry look like a favoured child. Understandably, as startups succeed there is always a chance of an 'Amazon' or 'Google' coming out. But in my opinion, a lot of these stakeholders are following a herd mentality, which is fine if it was more effective, but with 90pr cent of startups still failing, this means everyone is still missing the wood from the trees!

When startups fail, we all know that a major reason is that they run out of a funding runway. It's not that their products are bad. The money just did not flow in at the right time. Or, was it that the product did not connect with the masses? That is a major problem and stakeholders to try and address it by mentoring on financials, product acceptability, legal, and marketing. But 90per cent still fail. In fact, if you look at some of the illustrious failures, you wonder how startups even succeed! In 1982, Colgate launched its kitchen food. "Eat your Colgate food and then brush your teeth" Obviously, it did not connect as the marketing premise was too bizarre for consumers. Then there was Pepsi, who in the 1980s opined the logic that coffee contains caffeine, and since Pepsi contained caffeine, it would be a great replacement for morning coffee. So they launched Pepsi AM, which bombed! Then there was Apple, which is among the most valuable of companies today. They have always been ahead of the curve, but have had their share of mistakes. One is the 'Apple Newton', which was a hand recognition scanner in 1993, which failed as well. The objective of these examples is that if an Apple, Colgate and Pepsi with the best of talent, no shortage of funds, and enormous marketing and branding campaigns can fail, what hope is there for startups?

### How Can a Startup Succeed?

There are enough helping hands to address startup problems and help them succeed. But if the failure rate is so high and it is at 90per cent, then the root of the problem is the lack of what we call the 'Dreamers'! We all know the problems facing startups. Most of the initiatives may help them along, but it is not enough and a different approach to address startup problems is needed. This is why we need the 'Dreamers'. A simple, mundane term for an unusual person, who could offer a different perspective. How many people can offer such a skill set, but they exist. When we talk about Dreamers, we talk about a person who can look at a product and realise that it could be used in a totally different industry - and succeed!. And this is not a new approach. The anti-ulcer drug 'Losec' was originally researched for a different condition. However, its use for treatment of ulcers made it the highest selling drug in the world and by 2004, over 800 million patients had been treated with the drug worldwide. This is what is needed for startups - 'A different use of the same product'. It could be a thin line between success and failure and improve the success ratio of startups.

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