

## DEVELOPING THE STRATEGY OF START-UP ORGANIZATIONS IN THE CONDITIONS OF THE CURRENT COMPETITION

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*Abstract: The penetration in a market and overcoming the strengths of competitors operating in a particular industry is one of the main tasks for entrepreneurs. The current conditions of the European market call for consideration of all external factors that can influence the future of a new business, but especially the issues related to IT implementation, innovation and the workforce.*

*In this context, the paper focuses on the analysis of the main concepts regarding the strategy of the organization, and highlighting the main features of the small business strategy initiated by entrepreneurs, on the succinct presentation of the issues facing the start-ups in the elaboration of a strategy and finally we propose several directions of action to bring success to the business.*

*The methodology used is based on research of bibliographic references and personal observations resulting from the analysis of business plans of entrepreneurs.*

*Keywords: start-up organization, entrepreneur, management, competition, strategy*

### 1. Introduction

The entrepreneurship is considered to be the engine of economic growth, the one that takes risks and responsibilities. Entrepreneurship in simple terms means launching and managing a small business (Mariotti & Glackin, 2010). Another definition for entrepreneurship is “A mindset or way of thinking that is opportunity focused, innovative and growth-oriented” (Allen, 2006).

The entrepreneur is a person able to overcome the obstacles to put into practice an innovative idea in the new products and services sector.

Not all initiatives to set up a new business (firms) fall within the concept of entrepreneurship. Real entrepreneurs are those who create something different from what has been done before, are those who change or transform values and transfer resources to a high productivity area. Change and innovation are the defining elements of entrepreneurship. In a new business the entrepreneur puts his mark on the organization by looking at both his formal and informal organizational culture.

An entrepreneur setting up a business needs courage, capital (money), space (headquarters), equipment (acquiring), knowledge (learning), experience (accumulates), research (market), and consultants (could be friends) and includes business strategy design for the future.

However, the entrepreneur has certain advantages that he or she does not get as a company employee. These may include: implementing a dream or passion, change, independence, program flexibility, learning many new things, gaining experience, increasing self-esteem. But entrepreneurship is not an easy thing. An entrepreneur faces a series of difficulties and one of these is the development of an initial business plan and includes the definition of a strategy for the future. Dellinger (2006, p.25) has reminded the 2 entrepreneurship paradoxes:

- “If you are so smart, why aren’t you rich?” meaning that the intelligence does not always lead to success in business;
- “You wouldn’t want to belong to any club that would have you as a member”, meaning that if you could get in, then anyone could.

The paper focuses on highlighting some difficult issues in starting a business and illustrating the most important lines of action in start-up business. The methodology used is based on research of bibliographic references and personal observations resulting from the analysis of business plans of entrepreneurs.

## **2. Strategy and the entrepreneurs**

The strategy is defined as “the patterns of decisions that shape the venture’s internal resource configuration and deployment and guide alignment with the environment” (Dellinger, 2008, p.112). This definition implies strategy formulation (vision, mission, objectives, planning and analyse) and then putting all of these in practice (implementation). The strategy design is based on assumptions and forecasting. The entrepreneur has to answer the questions: Who are the clients? What the clients want from the business? How to make that the business clients will get value for money?

A good strategy has three goals: strategic resources, capabilities and sustainable competitive advantage. Dellinger (2008, p. 35-36) says that resources can be property based or knowledge based. A capability is a socially complex routine that determines the efficiency of the physical transformation of inputs to outputs. Capabilities are ordinarily not traded in factor markets. They are therefore built internally and can be hard to copy. Organizations in general have three types of capabilities: basic functional capabilities, such as marketing, finance, operations, and research and development; dynamic improvement capabilities that enable the organization to change and be responsive and flexible—the learning and innovation capability and entrepreneurial capabilities are those that use the firm’s resources and develop new ones strategically. The sustainable competitive advantage occurs when the firm is able to create and capture value, and protect it against erosion from competition.

The strategy formation may respond to the following questions integrated into the strategy diamond (Hambrick and Fredrickson, 2001):

- Where will we be active? (What arenas: geographic area, market segmentation, products/services categories, core technology, value chain emphasizes);
- How will we get there? (What vehicles: internal development, franchising, acquisition, joint-venture etc.)
- How will we win? (What differentiators: price, style, reliability, customization, image);
- What will be our speed and sequence of moves? (What staging: sequence, speed);
- How will we obtain our returns (make money)? (Economic logic: Lowest costs via scale advantages? Lowest costs via scope and replication advantages? Premium prices due to unmatched services? Premium prices due to proprietary product features?).

Because a new business is not known and customers do not trust buying from such a company, the new business should focus on promoting and attracting customers. Because a new business is not known and customers do not trust buying from such a company, the new business should focus on promoting and attracting customers. This requires a marketing strategy, a low but effective budget, and budgeting ways, such as: flyers and brochures spread in familiar places and online advertising (Facebook, Website page, etc.)

### **3. Start-up strategy design aspects**

Designing a strategy for a start-up business is a process that has several steps to be followed.

While entrepreneurs want to earn profits from the money, time, and energy they invest in their firms, they typically also want to make a difference—to individuals who buy their product or service and to the local community in which they operate. To do this though, entrepreneurs need to follow a process to fulfil their dreams and to be successful (Barringer & Ireland, 2019, p.15). To be successful, entrepreneurs must follow a specific set of activities including four interrelated steps: (1) deciding to become an entrepreneur, (2) developing successful business ideas, (3) moving from an idea to an entrepreneurial firm, and (4) managing and growing the entrepreneurial firm.

But, the steps mentioned above are really general. In the deep, having in view several experiences of new starters, the following seven steps could be considered:

- Identify the attributes of strategic resources (physical, human, financial and intangible resources);
- Macroeconomic and industry analyses. It could be used some well-known models such as STEEP (social, technical, economic, environmental and political factors) analyses, The Porter's 5 forces etc.;
- Business environment scanning and analysing;
- Stakeholders identification and prioritization;
- Market and competitors' analyses;
- Select and develop the management and marketing strategy;
- Write a business plan, including the resources (financial, technical, human and intellectual ones), a financial plan forecasting and describe how the strategy will be implemented;
- Feedback and strategy evaluation.

The business plan is an essential and unavoidable part of the business cycle and it includes advice on researching competitors, the ways to present the management skills and experience and how to effectively communicate the strategic vision (Finch, 2010; Fitzgerald, 2010; Becker et al., 2016; Gans et al, 2018). However, the management analysis should include the opportunities for improvement and the need for change in the environmental management system, including the environment policy and the environmental objectives and targets (Negulescu, 2016).

### **4. Directions for bringing success**

In our days four out of five small businesses continue to fail in the US. That's why many authors are advising entrepreneurs with some of the typical problems all entrepreneurs face in starting up their businesses. Advices cover several key arias, from finding new sources of revenue to securing the commitment of their people and the loyalty of their customers (Blanchard et al., 2008).

The main directions for a start-up to gain success could be: critical thinking, competition analyses, market identification, relationship with the employees, communication with all stakeholders, risks assuming, ethical behaviour and social responsibilities (fig. 1).

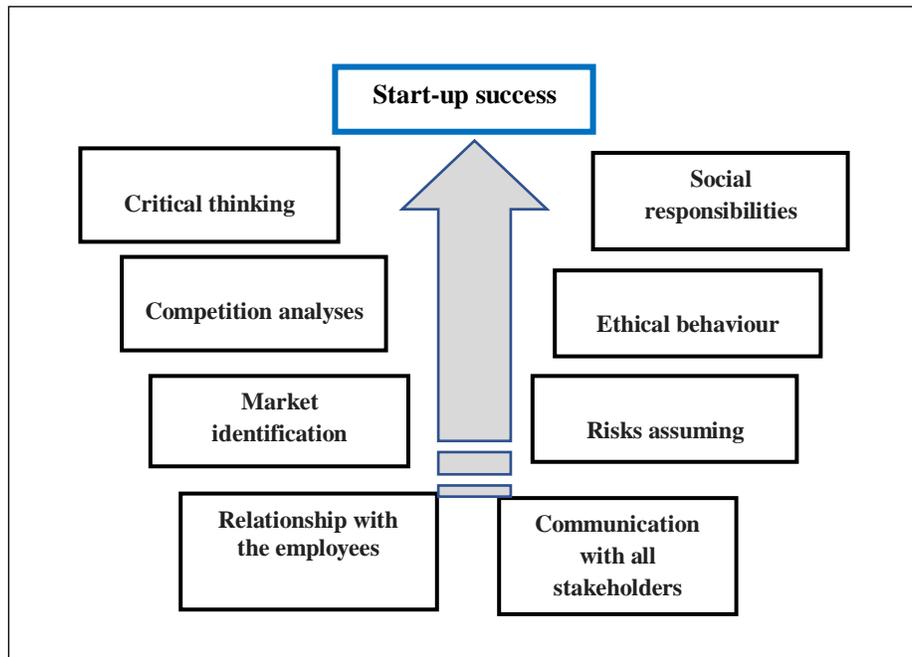


Fig. 1 Directions for the start-up's success

#### *Critical thinking*

Designing a strategy for the future firm the entrepreneur needs to have a critical thinking and a “helicopter view” when analysing the industry history and trends, the firm’s environment and the future market where the firm will act.

#### *Competition analyses*

Also, he or she needs to do a thorough analysis of the competitors, to define their market share, to observe their strengths and weaknesses and to balance all these with the new firm resources and capabilities.

#### *Market identification*

Considering the market share the new business wants to address, it is important to define the customers (beneficiaries, consumers or dealers) and to previous search for their needs and desire to make a partnership with the new firm. If there are no clients, there is no business. If what the company creates does not sell or cash, then everything becomes just a hobby.

#### *Relationship with the employees*

Another aspect that will bring success to the business is the behavior of the entrepreneur with future employees. The relationship must be partnership and be empowered to make decisions at a certain level. Employees are and must feel important in the new business.

#### *Communication with all stakeholders*

The communication with the stakeholders brings understanding and help building the influence and recognition. The entrepreneurs usually need finance to invest in the physical assets, need suppliers’ delays for payments, and also have a good impact on the relations with the customers and community’s pressure groups. The dialogue helps the entrepreneurs to get feedback for improvements and to discuss the critics.

### *Assuming risks*

When the entrepreneur starts a new business he or she needs to assume several risks that might appear. The main risks could come from the internal or external environment.

Internal risks:

- Supply and sales risks (contracts that could not be met by suppliers, narrowing of the market, etc.);
- Technological risks (the impossibility of acquiring modern technology due to problems mainly related to the financing of investments);
- Human factor risks (incompetence, lack of social skills, lack of experience, etc.);
- Informational risks (the impossibility of keeping up with the new market trends).

External risks are manifested in the environment in which the firm operates:

- Political risks relate to changes that can radically change the economic environment in which the company exports its products in the majority (country risk);
- Financial risks affect the company's results following changes occurring under market conditions. These risks are outside the scope of the firm's control. Hence the necessity of identifying and measuring the conjunctural risks and, first of all, the risk of price and currency risk;
- Contractual risks refer to the partner's failure to fulfil the obligations it has assumed under contracts.

Most methods for assessing environment risk are based on scoring and on the comparison with the average of the variables considered. Depending on the analysis directions, each method has applicability in a certain geographical area or country (Negulescu, 2015, p.194). The organization's management has to lead the entire process of the strategy design having in view the organization's vision and the stakeholders' strategic objectives in the context of the global risks and uncertainty (Negulescu, 2016 b).

### *Ethical behaviour*

In a business setting, being ethical means applying principles of honesty and fairness to relationships with co-workers and customers (Hill, 2018). Ethics will bring customers' loyalty, it helps to retain good employees, it helps to avoid legal problems and creates a positive working environment.

### *Social responsibilities*

If the start-up firm would initiate from the beginning a social responsibility strategy the benefits that are coming out have multiple dimensions. Some of these could be: risks reduction, sales increase, ability to attract and retain employees and increases reputation. It also helps fostering innovation and differentiation and drives competitiveness and using production methods that cut waste and incentivize reuse results in lower production costs (Tavares, 2018).

As the competition in our days is increasing due to the global environment rapid changes, such as the ITC, new materials, new technologies in production and new procedures in services and global companies influence, the eight directions of action proposed for the new entrants in the business could be useful.

## **5. Conclusions**

Entrepreneurship is not an abstract concept. There is growing demand and interest in placing "entrepreneurship" (the creation of new businesses) as a key element in the process of developing and revitalizing less developed areas in Europe.

The start-up business is, in most cases, a new product that, in the absence of contracting and purchasing by the consumer, involves a number of risks for both parties involved (seller and

customer). It has a starting point and is based on the client's needs and requests and is related to the specific needs expressed by the client, which makes it very difficult to reproduce.

The entrepreneurs exercise their interests and functions in the economic system, considering the contractual, competitive, collaborative and trustworthy relationships established with the partners.

The entrepreneur cannot design a strategy, cannot decide if he or she do not know the company's economic and social environment or, of course, the business environment. He or she needs to consider some soft aspects of the business, such as skills, behaviour, knowledge, ethics and risks.

The main directions for a start-up to gain success could be: critical thinking, competition analyses, market identification, relationship with the employees, communication with all stakeholders, risks assuming, ethical behaviour and social responsibilities. However, an entrepreneur should not avoid any opportunity that arises to get success with his or her business.

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