

## Issues in Business for Entrepreneurs: External and Internal Reasons for Failure.

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**Abstract:** Nowadays we hear a lot of startups even though with huge funds failing, There may be many internal and external reasons for it. As we know every failure has a different reason with it. But when these reasons are identified the failure can be avoided. There are many entrepreneurs who want to build the next great thing that can be really a solution for people who are in need of it, but this success is associated with proper planning and execution. So in this research, many of the reasons that can be avoided are listed down by obtaining the information from founders, entrepreneurs, Teams.

### **Background:**

I felt the need for finding real and practical reasons for startups failing so that this research paper can be used by future entrepreneurs for reference. When I worked in sales and marketing dept in a startup that dint go well due to funding issues, I had a couple of doubts of my own regarding the startup problems. I felt that I need to get proper information about the issues entrepreneurs are facing nowadays. I believe that these entrepreneurs are the future of business economy the country. so if the problems are identified it can be used to repair the future issues that may occur, so i went on and contacted number of startups, only little of them agreed for me to give the information that i needed but only on confidential ability clause. so i agreed and got down to get the pieces of information.

### **Method of conducting the experiment:-**

before beginning with the experiment, proper startups were identified from whom reliable data can be obtained. Person or team from the particular startup was identified for submitting the questionnaire. The questionnaire was either submitted Face to face or via LinkedIn with 10 startups and 6 venture capitalist firms. After the results were obtained, particular people were contacted for further information, i have visited them personally for getting a conclusion on their answers After making research from the Data, conclusions were made. I believed that this research should contain practical useful information for the viewers, so i believed in following the practical way of obtaining the answers i needed.

**Results:-** The experiments done gives the list of areas where future entrepreneurs must concentrate on while building their startup. entrepreneurs can also get the idea of areas to be avoided.

**Key words:-** Startups, Sales, Marketing, Demand and supply, Competence, Issues.

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### **I. Introduction**

Entrepreneurship is a dream for some founders, but lack of proper search in the area may cause his ship to sink in unknown water. proper research before gearing up to start the organisation may help him reach the shore safely. This research of mine shows the areas where usually startups don't think deep and that's where they go wrong. after going through talks with many founders i had done this experiment in a practical way.

**Duration:- August 2019 to january 2020.**

### **II. Methods**

At first 10 startups were identified in Bangalore, Mumbai and delhi for submitting the questionnaire. reason for not choosing more than 10 startups is that it may lead to poor answers due to non-availability and confidentiality matters for the startup founders. in management research shorter the number of people we choose for results more the accuracy. the exact number of startups chose are

Bangalore:-3.

Delhi:-3.

Mumbai:-4.

6 venture capital firms were choosed all from Bangalore after choosing the startups deep questionnaire was submitted with them with a promise that all the details they give will be for research purpose only and will be discarded after research concludes.

after I got back the questionnaire. I studied deeply into the answers and got back to them for getting more details regarding their options for answers chosen. I got good conclusions from them for their answers.

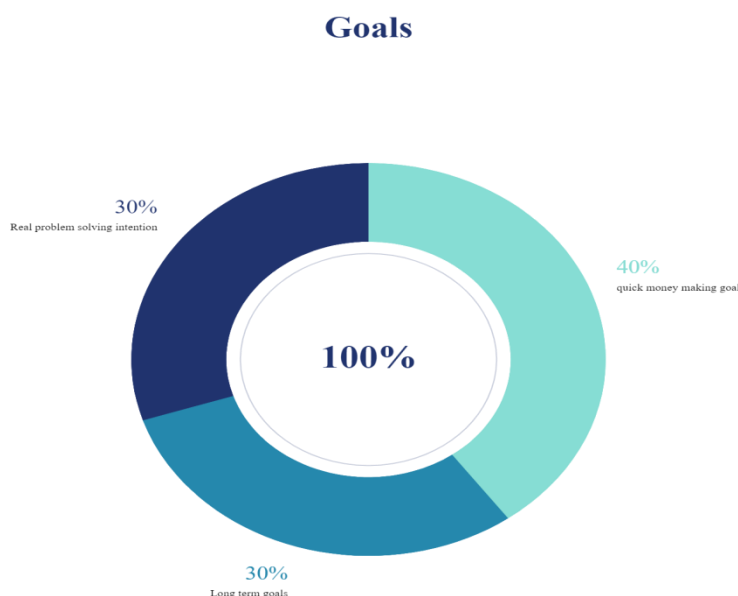
**Inclusion in the research:-**

- Founders of the startups.
- Sales teams.
- Marketing teams.
- Finance teams.
- Startup Founders of venture capital investment companies.

**III. Experiment**

*Start of startups.*

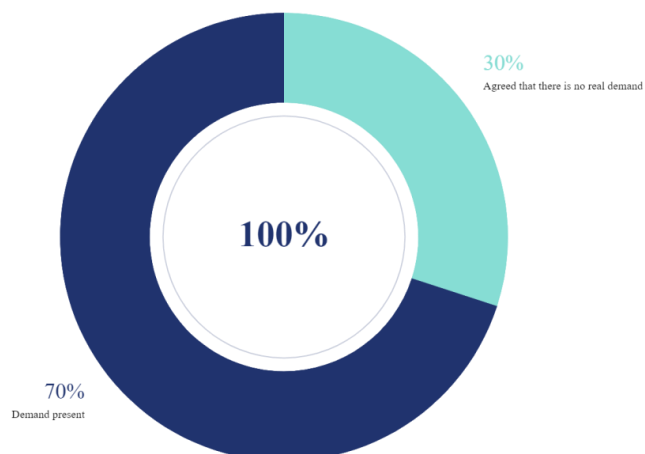
Beginning of any enterprise good research will pay off with results of success. By informal definition, entrepreneurs are the folks who have a real hunger to solve the problem in the world along with making some profits, according to the private research done by me, about 4 of them agreed that their main intention is of making some quick money and then selling the firm once their account book thickens. 3 have agreed that they have a long term goal remaining have agreed that they have real intentions of solving the problems. by entering into the segments of deep competition or field where there is no actual demand for the product, Enterprises will end up in loss.



*Demand and supply.*

The business world works mainly on demand and supply chain, the supply of the Products shall be based on demand, but out of 10 startups, 3 of them have agreed that they felt that their product or service their giving have no real demand in the market, they felt that their product doesn't have demand because their product was not in the market before, it was purely an invention. When demands exceed supply there will be a need for innovative selling concepts, means selling the product in a different manner than competitor's selling model.

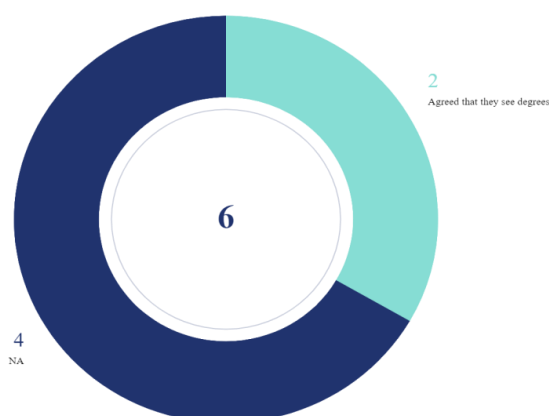
### **Demand for the product.**



### *Investors with investment.*

Many of the Indian startup owners felt that investors looked more on their degrees rather than their idea and expansion of startups. according to my research from previous startup owners who have closed down now due to lack of funding informed that they were rejected funds due to their lack of degrees like MBA from a very reputed university. when the questionnaire was given to 6 venture capitalists, 2 of them agreed that they see a degree from the reputed university as one of the main criteria for funding the startups, they also agreed that these degrees provide them with a sense of security for the money invested.

### **Degree from reputed univ**

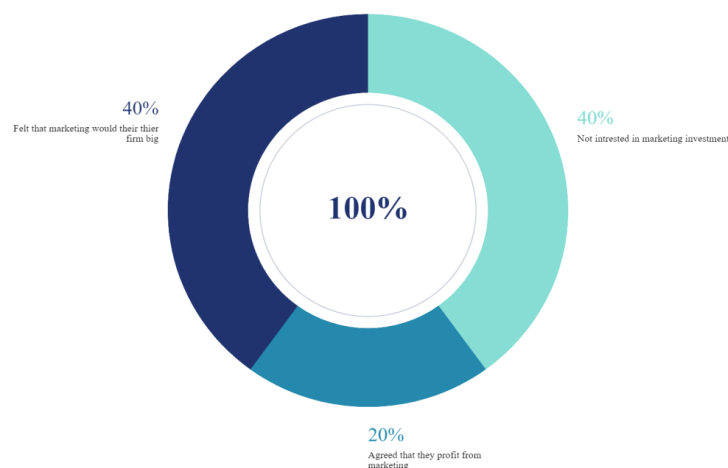


NA:- Not applicable.

*The issue regarding marketing.*

when questionnaire was given to 10 entrepreneurs, 4 of them pointed that they dint find investing in marketing right, they felt that they tend to waste their money by the spending of marketing, 2 of them agreed that marketing provided them with 20% more customers than when they had not invested on marketing, 4 of them feel that marketing would take their enterprise big in future.

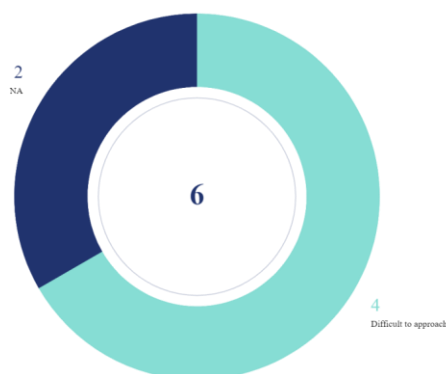
**Marketing Investment.**



*The issue regarding sales.*

Sales are like the air we breathe, without sales no firm can sustain long enough, so teaming up of proper and motivated salesmen are important. when questionnaire was given to 6 different organisation's sales team, 4 of the teams have agreed that it was very difficult for them to approach they new customers as they were not welcomed with open arms because they have been not known previously in the market. they also pointed out that people don't trust them easily because they have not established a brand name in the market.

**Sales issue**

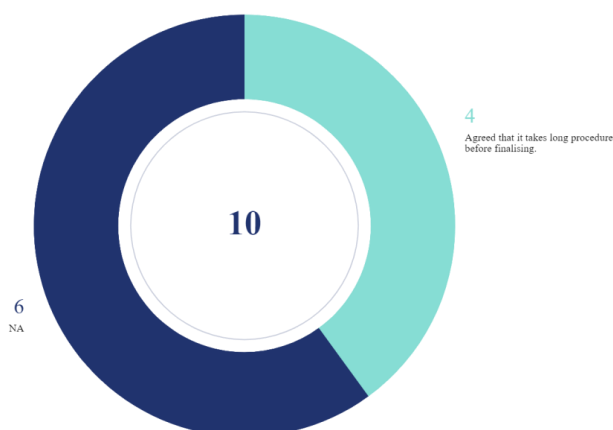


NA:- Not applicable.

*Core team issues:-*

out of 10 startup companies, 4 of them agreed that it takes a long procedure for them to make the decision as they have many people in core team and investors to consult before taking any major decision which doesn't allow them to make right choices at right time, they also complained lack of enthusiasm in the team.

**Core team issue.**



NA:- Not applicable.

*issues in the business system.*

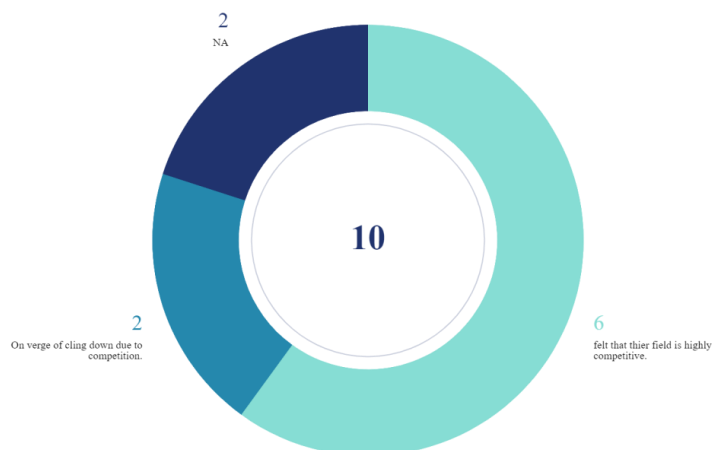
Ease of doing business can be explained in an informal way as "How easily can firm pitch the product and get the sale done". Ease of doing business includes doing business with Government, B2B, B2C. majority of them have agreed that ease of doing business very less, they feel that it was difficult to approach new customers, lack of getting their projects sanctioned from others customers, some of them even blamed clients for their changing taste when coming to retaining the clients.

Exact data not given here due to confidential issues, founders felt that it may hamper them from getting future investments.

*Competetition in their field.*

6 out of 10 felt that their field is very competitive and they have to find a unique approach for keeping their startup in progress, they agreed that they had to change their initial plans after huge competition. 2 of them felt that they may be in the verge of closing their startup mainly due to competition and they're unable to survive in the field, they as felt that pumping more funds is wasting their efforts and they might end up in closing their firm.

### Competition issues.

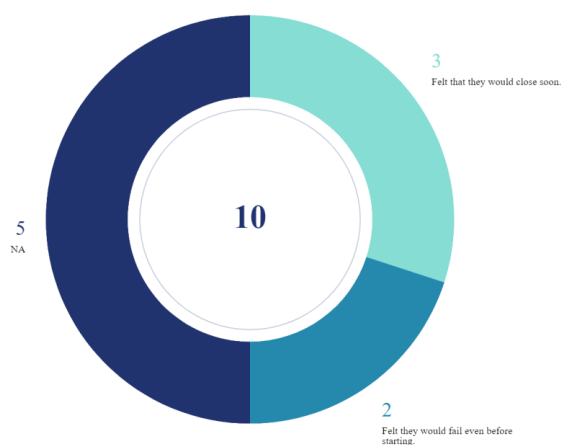


NA:- Not applicable.

### Lack of confidence.

Reasons for failure may be internal reasons or external reasons, but when it's of the internal reason it can be minimised, so that failure ratio can be brought down. here confidence and experience play as a big ship to move around heavy current waters. according to the research done from getting information from previous startup owners, who have now either wrapped up or given up, 2 of them had a feeling that they would fail even before setting up the startup. 3 of them had the feeling that they might close soon. remaining of them had a feeling that they would cope with any situation that would arrive. mains reason for failure among them was they either had the previous mindset that they would fail or they didn't take the necessary step before they would arrive in the situation of closing up.

### Lack of confidence.



NA:- Not applicable.

#### **IV. Conclusion**

Conclusions are same as results obtained from above experiments which are clearly explained in the pie charts along with the issues.

Note:- NA stands for not applicable, means founders, teams have not answered questions when asked clearly.

According to the above-conducted experiment internal and external reasons can be classified as,

Internal issues:-Wanting to make quick money, Lack of confidence, Sales issues, Marketing issues.

External issues :-Investors, Ease of doing business, Demand and Supply.

#### *Possible solution:-*

After obtaining the questionnaire from startups whom i had submitted, I started pondering for a possible solution, so here are those. before beginning any firm at first the entrepreneur to-be must find whether his product is in actual demand in the market, for this, he can contact already existing people or try contacting clients to-be. then if there is demand, he can purely concentrate on the product building by side building sales and marketing team. once after the proto-type of the product is done, he should concentrate on actual product. by the time marketing for the product should start, so that if the product is not accepted in the market, he can changes to the product in such a manner that he can minimise failure. now at the time the sales team should try contacting the clients whom they think they could fetch as customers. after the first sales for 6-8 months, the startup can approach the investors for capital, this would help in avoiding one of main criteria of investors to see on degrees before investing because startup team can now convince investors about the product demand in the market and future growth. about 70% of investors may agree for investing in the firm. External factors:-Proper investors with knowledge should be searched, or else it may lead to pressure from investors for speedy sales and growth. Even though demand is an external factor, demand can be created with proper marketing skills, which would require times, money, skills. Rather than thinking of each and everyone as their customers, it is better to concentrate on sure-shot customer to-be. Internal factors:- Good product building and supply chain should be concentrated along with good marketing and building a good sales team with good sales and marketing manager who can put motivation into the team with extraordinary leadership skills.

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