

An Overview of the Literature on Startups Failure: Trends and Contributions

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Abstract:

The concept of startups or the whole idea is more of a new venture. It in general, creates more employment by incorporating innovative ideas as well as replicable models from the past. They're capable of achieving great growth with exclusive cash-flow but the bitter truth is that 90% of startups get failed. This study discusses the findings of a systematic review of literature on Failure of Startups from 2000-2017. A multi-method approach which includes the bibliometrics, content analysis and semantic analysis was applied. The findings indicate that there are several reasons for the failure of startups in India and outside. The definition of startups have been given and several theories have been put forward which relates the relationship between variables and startup failure.

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1. Introduction:

Startups are the tapped pool of practice that paves a path for learning valuable lessons, for entrepreneurs, and a gateway to success. The current wave of it helps in enhancing the Indian economy, and the development contributes to enormous subsidising, advancement in innovations and lending a hand of support to the local market.

The surge in the activity of Startup is due to the current set up that had its roots in the post-

liberalisation economic activities. The funding picture looks upbeat as the startup investments are reaching more than the US \$10 billion. The insight unleash that the heightened competition were cost-effectiveness, reliability, and skilled professionals that are always a service bank to foreign companies. And this is the reason for continuous growth where some of the well-known companies in the market are of vital importance in the Indian market.

The thriving ecosystem has three major flourishing elements that included - a high-quality

talent hub, a large market, and financial access. These parameters are the productive indicators of entrepreneurship activities and offer engaging studies.

Startups are the youthful organisations that have several tasks running parallel with such a fast pace that people acquire the background of a multi-tasker. Being controlled by the inside as well as outside factors, India is the 4th destination of promoting startups biologically after the UK, US, and Israel. The inside factors include the organisations' idea and its execution, whereas the outside factor is the Indian government. Expanding step-by-step, the government also is focusing on improving methodologies and bringing changes to enhance the ease of doing business.

Besides all this, the simmering issues that boil down to the failure of the Startups are covered in the upcoming pages. The low tolerance culture or how the design-centric companies yield good returns but lack in management, these mistakes and the statistical error in calculating the gains evaporate to the form of foreseeable future.

Aiming to fill these research gaps, this research presents the results of a systematic literature review on Startup Failure Factors that explore why do startups fail in India presented by the relevant literature from 2000 to 2017. Research objectives include the comprehension of the relevant conceptual definitions, the identification of the most influential authors, significant research initiatives and published papers, findings of different theories and the variables, how these theories relate them; variables have been considered as the keywords too. The methodological approach combines three main research methods: starting from bibliometrics data, then content analysis and third is semantic analysis. The structure of this study is as follows. Section 2nd discusses the methodological approach applied. Section 3rd presents methodical

literature review results which are based on bibliometrics and network analysis. Section 4th presents the semantic analysis results and proposes a definition of Startup failure. Section 5th talks about the results of content analysis. Lastly, Section 6th is the section which includes the conclusions as well as contributions of this study.

2. Research methods:

As per the research objectives, a Systematic Literature Review (SLR) was conducted, applying transparent and replicable procedures in search procedures and data analysis. The SLR can combine multi-methods such as the bibliometrics analysis, meta-analysis, semantic analysis and content analysis. This research approach combines three techniques: bibliometrics, content analysis, and semantic analysis.

2.1 Data collection

The process of data collection was first performed at the MDI, Gurugram library database, updated until 2018. This specific database was chosen as it consists of all the journals evaluated by Journal Citation Re-port (JCR). It also included journals published in the other databases. The initial research resulted in the sample of 181 papers through the MDI library Database, covering the period between 1980 and 2018. The search strings were “startup failure*” or “start-up failure*”. The search result was filtered considering only “article” in the parameter “document types” because these are publications that went through the peer-review process. All articles were analysed and evaluated in accordance with the scope of the research.

The searches started on Jan 2018 and were updated in December 2018. After obtaining the initial sample the snowball sampling based approach was applied considering other databases and the articles' references. The Emerald Insight and Sage journal were analysed considering the

same search strings, filters and exclusion criteria. The results obtained from this analysis evidenced a strong intersection of articles from the Emerald Insight and Sage journal and the initial sample (84%).

2.2 Data analysis

Post the articles revision, a data analysis was conducted with the application of network analysis, semantics and content analysis. Three software tools were used for the network analysis: Sitkis 2.0, Ucinet and NetDraw. Network graph was generated. The content analysis was conducted on all articles of the final sample. The articles were organised using Mendeley software and Microsoft Access database holding the

metadata that was generated by Sitkis software. The study of the content (content analysis) was performed in three steps: coding, study of content including frequency counts and cross-tabulations, and results interpretation. Semantic analysis was applied to analyse the Startup-failure definitions. A computer-driven approach was applied that used two softwares one is Semantic Knowledge and name of the another software is Tropes. A quantitative description of nouns, adjectives and verbs were made by using Semantic Knowledge software. The most frequent relationships were quantify amid the words. Graphical analysis was generated using the Tropes Software that incorporated area graph and actors graph.

Paper	Year	Cite%	Cite	Citation
[7]	2013	100	38.32817337	1615
[32]	2014	61.67182663	23.03405573	996
[25]	2013	38.6377709	10.09287926	624
[33]	2017	28.54489164	5.882352941	461
[10]	2015	14.55108359	3.591331269	235
[22]	2011	7.492260062	2.724458204	121
[6]	2010	4.767801858	1.795665635	77
[30]	2014	2.972136223	0.9907120743	48
[2]	2016	1.981424149	0.866873065	32
[4]	2016	1.114551084	0.6811145511	18
[26]	2015	0.4334365325	0.4334365325	7

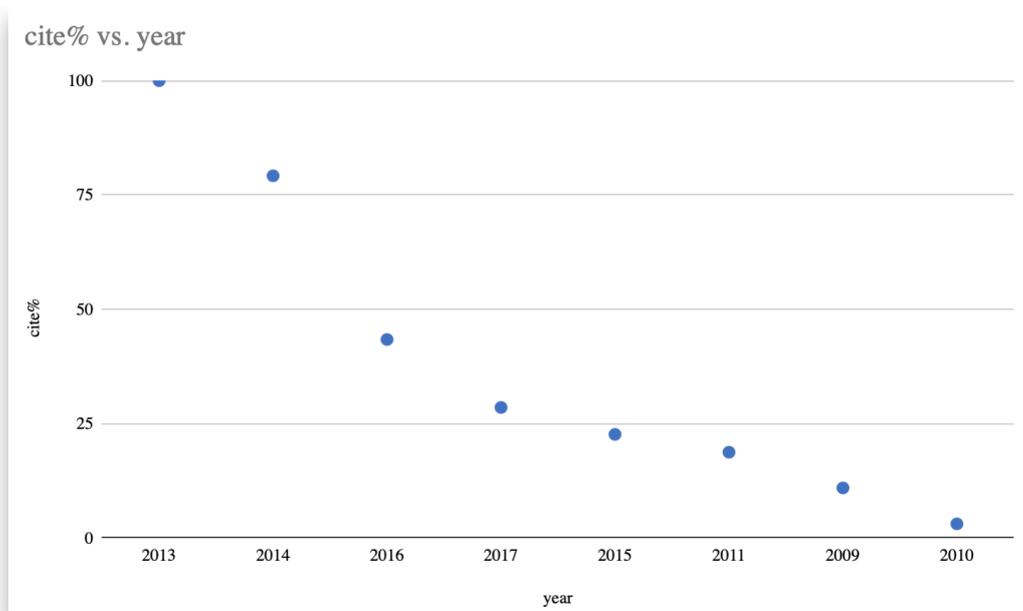
(Table-1)

3. RESULTS OF BIBLIOMETRICS AND NETWORK

The most cited article is [7] followed by [32], [25],[33],[12],[10], and [22] . Considering the

evolution of the number of citations by year the key articles in the sample are shown in Fig.1. Lockett and Lyon (2013) aim to evaluate the life after the failure of entrepreneurs. First, the writer looked into the social, psychological and financial costs of disappointment, featuring the factors which may impact the importance of the mentioned costs. Secondly, it reviews the study that clarifies how business owners comprehend and learn from the failure. Eventually, the author showcases the research on the results of the business failure, including recovery and behavioral and cognitive results. Giardino et al. (2014) [12] helped readers to understand the reasons behind the failure of software startup companies at the very early stage. The analysis was performed with the help of a literature review along with a multiple case study practice. Exploratory multiple-case study was done using the systematic mapping study. Interviews were taken with the Top Executives of the unsuccessful startup organisations regarding the reasons of their failures. Bau et al. (2016) studied what factors leads the unsuccessful entrepreneurs to start another business after facing the failure in earlier one. The geographic location from where the sample was collected was the Sweden, which includes more than 4500 startup owners who failed between the window of four years from 2000 to 2004. The study showed that the chances of re starting a new startup depends highly on the

age factor. Giardino (2015) focused in discovering the key challenges that software start-ups at initial level have to deal with from conceptualisation to the launch in the market. To research the key issues, the study uses a mixed strategy research methodologies which includes both a detailed multiple-case study and an extensive scale review of reactions. The initial report shows that flourishing in innovation vulnerability and getting the first paying client is among the best difficulties seen and experienced by software startups and new businesses. Business owners should understand that focusing just on technical solutions will not guarantee success and survival. Nobel (2011) showed how new companies or start-ups often face failures as founders and investors do not check before they leap, stepping ahead with a strategy without realising that the idea of the business planning is wrong or ineffective. They avoid making endeavours to please their customers with quality service. Some entrepreneurs have a tendency to be determined with their techniques, willing that the venture should be only about technology or sales without doing a balanced planning. Successful organisations like Open Market and Netscape have experienced several action plans before finding the efficient method. Some-times, a company with a great team and efficient ideas fail to get traction due to the shortage of finance and time to allow a proper model becomes matured.

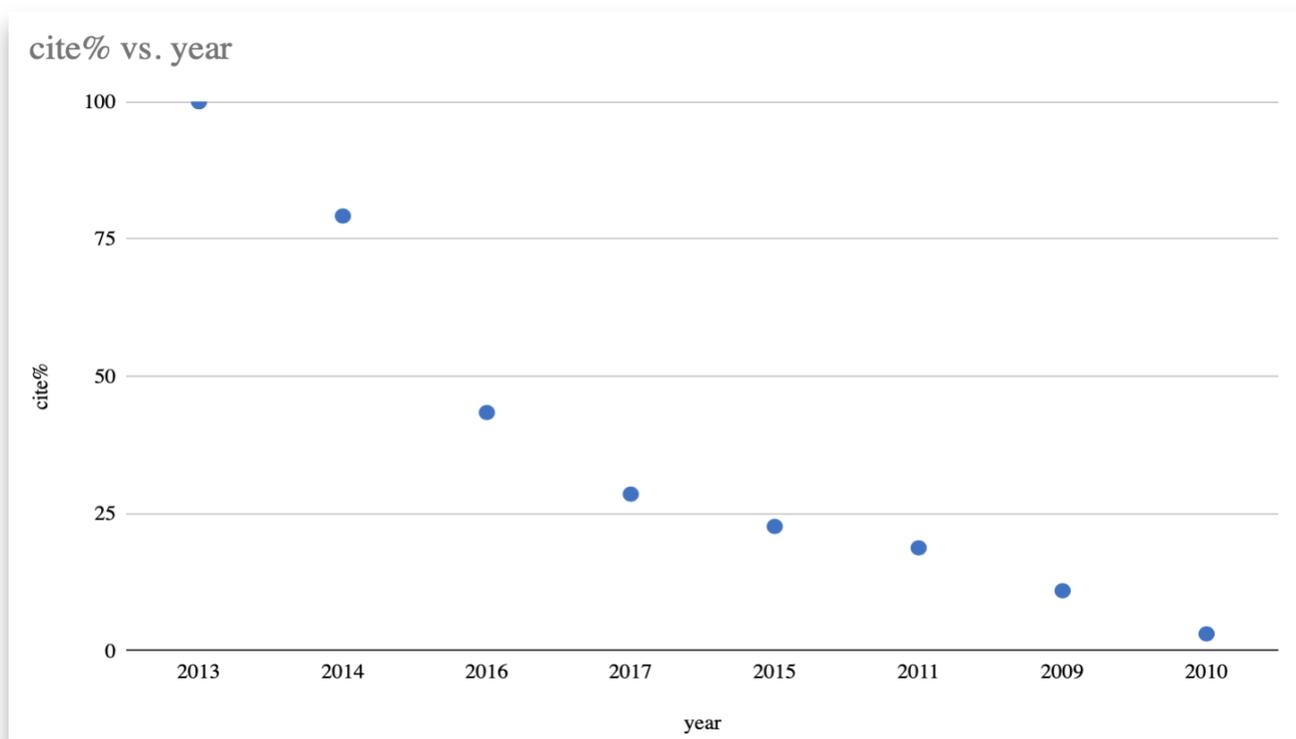


(Fig-1)

(Table-2)

Title	Year
[14]	1971
[19]	1987
[29]	1992
[23]	1993
[18]	1996
[11]	1998
[21]	1999
[15]	1999
[31]	2000
[8]	2002
[24]	2002
[27]	2003
[17]	2004
[13]	2005

[9]	2006
[1]	2006
[16]	2008
[33]	2009
[7]	2011
[6]	2010
[22]	2011
[25]	2013
[20]	2012
[32]	2013
[34]	2013
[30]	2014
[10]	2014
[26]	2015
[2]	2016
[4]	2016

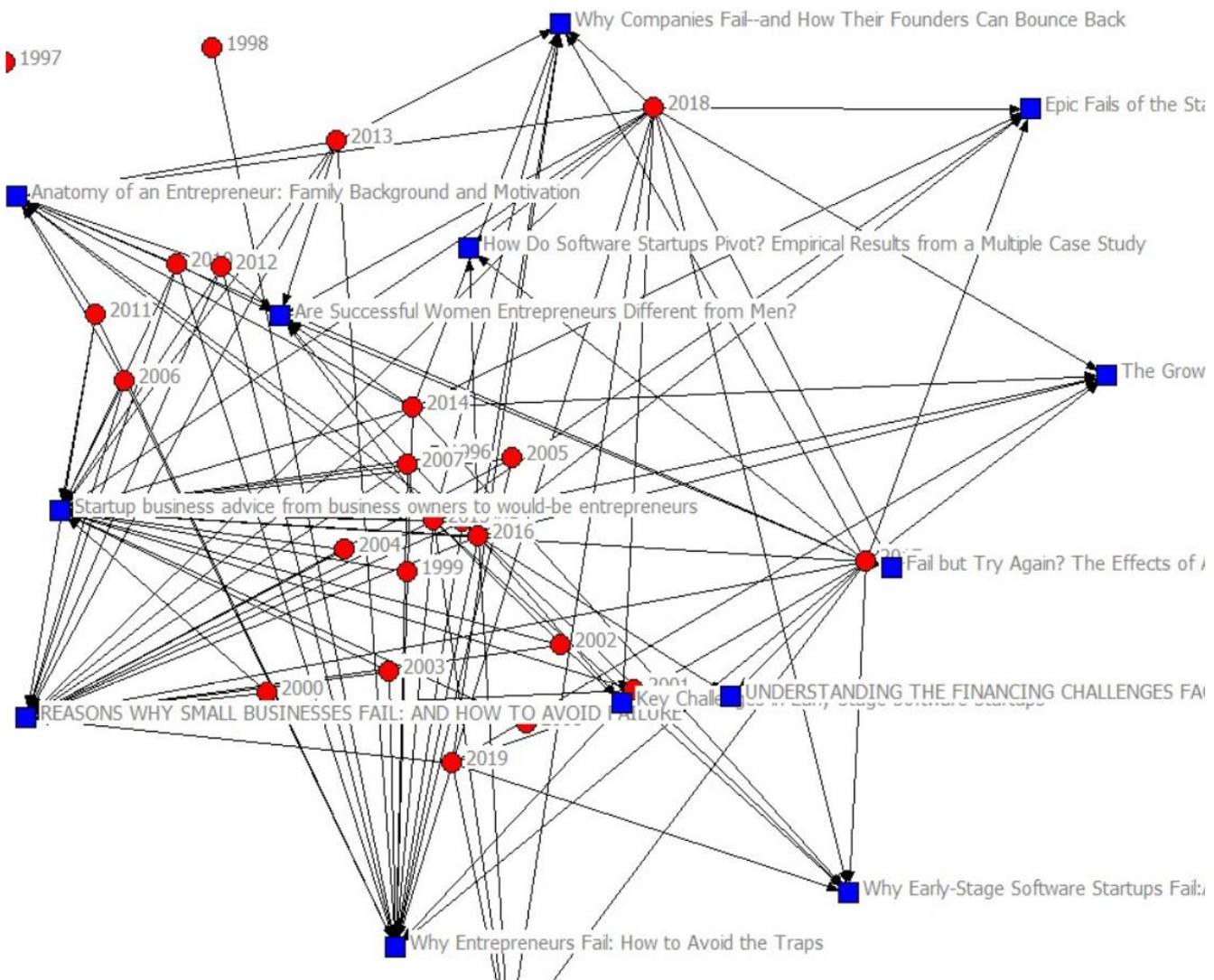


(Fig-1)

3.1 Network Graph between the Articles and Citation Year

Network Graph analysis was made using the software UCINET, in which the network analysis between the citation year with the corresponding

article is made. Table-2 represents the Title of the Articles and their corresponding published year and then this data is processed in the software UCINET and result came out in the form of Network Analysis showed in Fig-2.



(Fig-2)

4.Semantics Analysis

Semantics analysis was performed on the core group definitions of “startups” and “failure of startups” on the basis of occurrence. A table was

made using the words as per the frequency of their usage and as per their relations with each other, then they were categorised as Ranked by Frequency and their Relations(Tightly Connected).

	Word	Frequency
Ranked By Frequency	Business	60
	Time	8
	Money	7

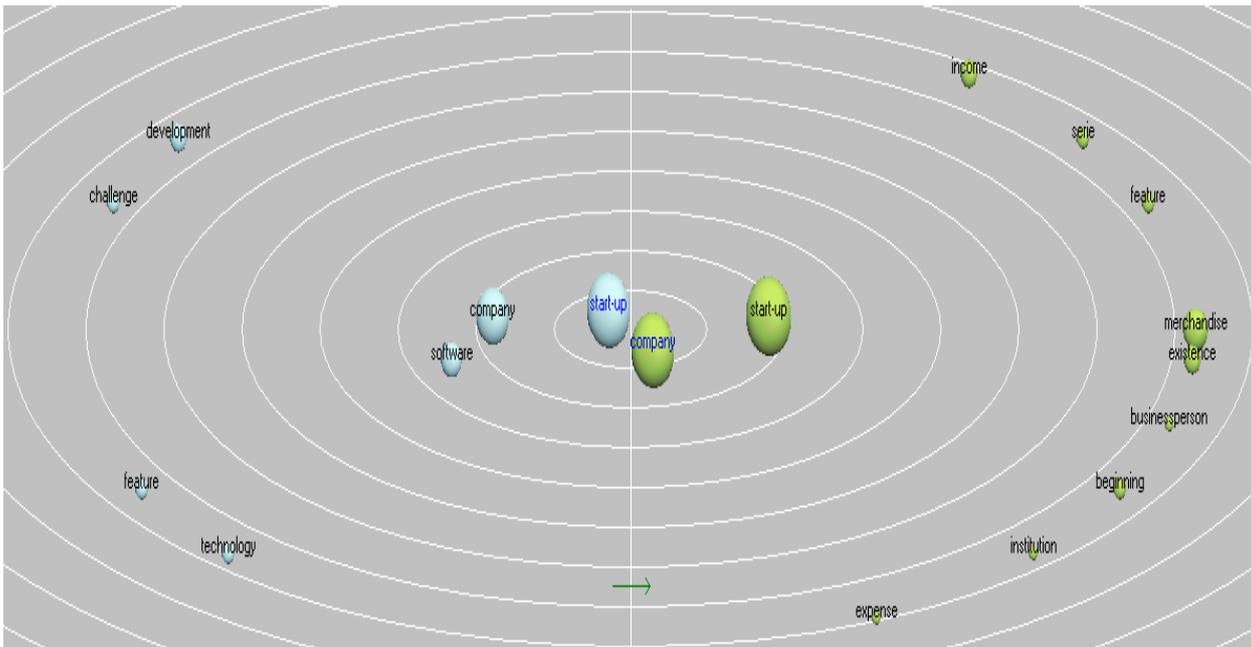
	Goods	7
	Cognition	6
	Computer_Science	5
	Social_Group	4
	Organization	4
	Device	3
	Technology	3
Relations(Tightly Connected)	Startup > Company	7
	Company > Startup	4
	Software > Company	4
	Software > Startup	3
	Startup > Business	3
	Business > Year	2
	Loan > Bank	2
	Business > loan	2
	Business > Existence	2
	Startup > People	2

(Table-3)

Fig-3 shows the Area Graph for Startup definitions; the spheres could be spotted which were proportional to the count of words and distances in-between the middle class. Fig.-4

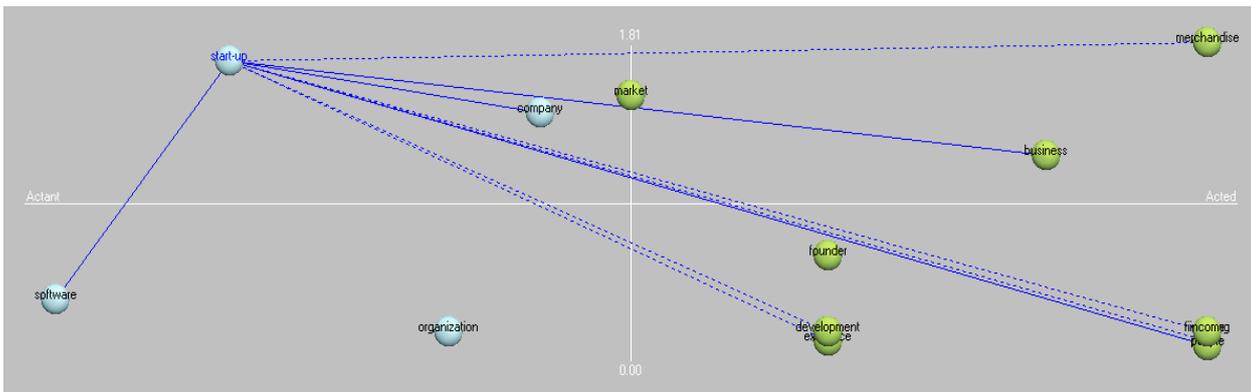
shows the Actors Graph which shows relationships concentration between the main actual actors is on top and the actant and acted are illustrated in the left and right sides respectively.

Area Graph:



(Fig-3)

Actors Graph:



(Fig-4)

5. The Content Analysis:

This specific analysis of the articles reviewed was done and phases from the current BOK(Book Of Knowledge) and the studied sample were reviewed. Table-4 shows the Startup Failure phases according to BOKs and Table-5 shows the Startup Failure phases synthesis according to the studied sample. Four main Phases were identified: Business, Startup, Failure and Entrepreneurs. It was found that there were 10 references for the phase Business, 11 references for the phase Startup, 12 references for the phase Failure and

there were 14 references for the phase Entrepreneurs.

Startup Failure phases according to BOKs

BOK	Phases
Startup	Inspiration, Ideation and implementation
Startup failure	Missteps, hinderances, learning
Economical	Revenue Failure, venture capital cashflow
Demography of founders	Age, Sex, Education, Past Experience
Entrepreneurs	Filling the unfilled, Technology, Enthusiastic
Entrepreneur Failure	Collapses, Customer exiguity
Static Reports	Literature Review, Surveys, Methodology, Research Approach

(Table-4)

Phase	Number of References	References
Business	10	[1-2,11,15-17,21,24,27,34]
Startup	11	[2-3,8,12,17,21,24,26,28,30-31]
Failure	12	[7-8,11-12,18,22-23,25,27,29-30,32]
Entrepreneurs	14	[4-7,9,13-14,16,20,23,25,32-34]

(Table-5)

6. Conclusion:

This paper on Literature Review has been written by considering the articles of specific journals and data-base. Relevant articles and books relating to the startup failure were analysed. More in depth research can be done in which more database can

be used as the research evidence a lack of standardisation about Startup failure phases, definition and tools. The three software Sitkis 2.0, Ucinet and NetDraw have been used for the Network analysis; other software might give some more in-depth details. Total of 80 variables and 20 Theories could be traced out, it's an important topic that more variables and corresponding theories could be searched out. The period of analysis and the multi-method approach applied to this SLR also brings some bias in the content analysis of the articles.

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