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FACULTY OF BUSINESS MANAGEMENT**

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**ANALYSIS OF PROBLEMS RELATED WITH GROWTH IN
THE SPECIFIC SLOVAK STARTUP**

Bachelor thesis

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FACULTY OF BUSINESS MANAGEMENT**

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Názov: Analysis of problems related with growth in the specific Slovak startup

Anotácia: In the final work, the student elaborates detailed problems of growth at selected Slovak startup. She/he analyses the probable causes of limited growth. Part of the analysis will be a brief financial analysis. Subsequently, the student develops a list of recommendations and necessary management steps for the enterprise.

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Honourable declaration

Signed below, Monika Jerigová, I honestly declare that the final bachelor's work "Analysis of problems related with growth in specific English start-up" I processed by myself, using the listed sources in the list of literature at the end of this work.

I am aware of the legal consequences if the above data is not true.

Bratislava

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Monika Jerigová

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ABSTRAKT

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Cieľom záverečnej práce je analýza problémov spojených s rastom v špecifickom Slovenskom start-upe a zároveň vypracovanie odporúčaní a manažérskych krokov ktoré majú slúžiť ako prevencia pred chybami kvôli ktorým rast start-upu stagnuje. Práca je rozdelená do 7 kapitol. Obsahuje 11 grafov, 3 tabuľky a 2 prílohy. Prvá kapitola je venovaná teoretickej časti a teda súčasnému stavu danej témy na Slovensku a v zahraničí, vymedzeniu pojmov, histórii a rastu start-upov. V ďalšej časti sa charakterizuje cieľ, ktorým bolo zanalyzovať problémy s rastom vo vybranom Slovenskom start-upe a metodika práce, pre ktorú bola zvolená metóda použitia dotazníka. Záverečná kapitola sa zaoberá vyhodnotením dotazníka, následné zanalyzovanie výsledkov ale aj finančnou analýzou. Výsledkom riešenia danej problematiky je, že rast nami vybraného start-upu je z veľkého hľadiska negatívne ovplyvnený práve finančnými faktormi ktoré môžu byť zapríčinené internými záležitosťami ako zle rozpracovaný podnikateľský model alebo aj trhovými ako napríklad lepšia presadenia schopnosť konkurencie.

Kľúčové slová: start-up, analýza, problémy, rast, inovácia

ABSTRACT

JERIGOVÁ, Monika: *Analysis of problems related with growth in a specific Slovak start-up*. University of Economics in Bratislava. Faculty of Business Management; Economics and Business Management – Ing. Mgr. Róbert Hanák, PhD. – Bratislava: FPM EUBA, 2020, 54s.

The aim of the final thesis is to analyse the problems associated with growth in the specific Slovak start-up and at the same time developing recommendations and managerial steps to serve as prevention of errors due to which the growth of start-up is stagnating. The work is divided into 7 chapters. It contains 11 graphs, 3 tables and 2 annexes. The first chapter is dedicated to the theoretical part where we are describing start-up, it's history, growth stages and the most common problems that start-up experience during growth stages. The next section describes the objective of analysing growth problems in the selected Slovak start-up and the work methodology for which the method of using the questionnaire was chosen. The Final Chapter deals with the evaluation of the questionnaire, the subsequent analysis of the results, but also the financial analysis. The solution to the issue is that for the chosen start-up the factors that are limiting its growth are the financial factors that can be caused by internal issues such as poorly developed business model, or also market-like issues as better enforcement of competition.

Keywords: Start-up, growth, problems, analysis, innovation

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Introduction

In modern economy, Start-ups have an unsubstitutable place, as they are representing the main resource of innovations. Successful examples from abroad show that this type of business has the potential to increase the inflow of foreign investment, strengthen the innovation capacity of the economy, significantly strengthen competitiveness and create jobs in high-value sectors. The proper setting up of the business environment and the regulatory framework in the field of promoting innovation and entrepreneurship education are essential assumptions for the further development of this segment of enterprises. However, the start-up ecosystem in Slovakia is still relatively young and poorly developed. Despite being able to produce a handful of companies that have become players on a regional and even global market, the overall impact of start-ups business on the Slovak economy is negligible. In Slovakia, the total number of start-up projects at different stages of development is low. According to different sources, the number ranges from the conservative estimate of 184 start-ups to the optimistic estimate of 600 start-ups

From simple idea to start-up and later to building a successful firm leads a long and bumpy road. The idea itself has only minimal share on success and the important part is the deployment, endurance, experiences, professional approach, etc., but also a large piece of luck. Although the process of starting a business isn't complicated and can be put through, on the way there always appear some problems that sometimes can lead to a business demise. A lot of new start-ups are founded every year, but only a few succeed. For a lot of entrepreneurs start running a successful company represents an unreachable aim. Although the vast majority of start-ups are ending in failure, some of them with their innovations change the form of industries, the whole economy, or create brand new markets. However, the support of this segment in most EU member States is not among the political priorities, since they usually have a small share of direct job creation, which is also the case in Slovakia. Compared to the US, however, the number of start-ups that manage to grow significantly lower. Although this ratio is also based on regular surveys attributed to the quality of the business environment and less enthusiasm for entrepreneurship, the view of Europe's

successful start-up centres such as London, Berlin and Paris suggest that there is no shortage of good quality business projects in Europe.¹

People always try to find something better or something that would make their everyday life easier. Does not matter if it's in job, at home or when they are outside. Start-ups are bringing innovative ideas to our markets and are moving not only our economy but also our thinking forward. Good business ideas are based on commercial opportunities created by market needs. But, even with bringing the revolutionary idea, it is not always enough to keep up with the market needs and lot of these start-ups have problems to grow and enforce its position on the market. For start-up company its growth is very important as it is a key factor that defines start-up. In lot of cases these kinds of companies are putting all its hopes into the power of the product that they bring and do not think about other factors that are related to business and can create problems.

For this reason, the aim of our bachelor thesis is to analyse the factors that slow down the growth of chosen Slovak start-up and also try to explain what the probable causes of these problems are. We decided for this topic as these companies bring innovative products that make our lives easier.

¹ Source: MF SR, 2015 Concept to support start-ups and development of the start-up ecosystem in the Slovak Republic
<http://www.rokovania.sk/Rokovanie.aspx/BodRokovaniaDetail?idMaterial=24603>

1. Current state of the theme at home and abroad

Hearing word “Start-up” majority of people immediately think about few friends-students working on computers in a garage in America. If we recall a little back in the past, this presumption is quite justified. A great part of today’s technological giants really started at home in the garage and the founders were young students. Since then, this picture of classical start-up is held in the minds of people. It’s not wrong idea but is not always how start-up starts to work. It does not matter where you start your start-up or at what age, most important thing is what you do. People want to come up with something revolutionary that would help the society and at the same time, be successful and made them enough money to live without worrying. These people did not always go through the economic or managerial studies and therefore, have null knowledge of how to run a company and, or how to manage the finances of the company.

Therefore, for companies entering the market, not only the growing competition or lack of knowledge could be representing a slow-down in growth but also there are other factors that threaten the development of newly founded companies. If start-up does not find a customer whose needs would satisfy and fail to generate a profit, it does not have a functional business model and ceases to exist. While existing businesses are conducting a business model, Start-up is looking for it.

1. Start-up as a new venture

1.1.1 Definition of start-up in the Slovak and international context

Term start-up was firstly used in 1845 and was defined as the act or an instance of setting in operation or motion². The definition of start-up may vary in different countries. Everyone has a definition, but unfortunately, there is not one stable and same for everybody. However, start-up is usually the subject of an emerging or newly established company with an innovative product, service or business model, high growth potential but at the same time with a high level of risk. For the mere incoherence of the definition, but also for the qualitative requirements for the fulfilment of the definition of start-up, it is difficult to

² Source: “Start-up.”, Merriam-Webster.com Dictionary, Merriam-Webster, <https://www.merriam-webster.com/dictionary/start-up#h1>

identify such firms from the perspective of statistics. Based on the assessment of quantitative parameters – Number of employees or annual turnover – they can figure in the established statistical definitions of micro, small and medium-sized enterprises.

In Slovakia, the Slovak Ministry of Finance has come up with a definition, that is now already anchored in legislation by Law no 290/2016 Z. Z. on support for small and medium-sized enterprises. Within the meaning of this law, start-up is a capital trading company compulsorily creating capital, based in the territory of the Slovak Republic, from which it has not elapsed more than 36 months and at the same time:

1. Developed for the purpose of creating an innovative product or service,
2. Micro, small or medium-sized enterprises,
3. Is characterized by the fact that the majority of the voting rights belong to the physical persons who are the founders.

In this case, in particular, it is difficult to determine the boundary between an innovative or non-innovative product or a service.³

Up to 85% of Slovak start-ups is in the early stages of its development: 41% in the beta phase (the stage following the creation of the prototype), 50% generates revenue, but of which 83% less than EUR 100 000. The main sources of funding for start-ups are first and foremost personal savings (74%), or support for friends and family (22%). Up to 57% of companies are considering relocation to another country and from it: 80% due to new markets/customers, 48% for access to finance and 32% due to tax and legal environment.⁴

The current state of the start-up scene in Slovakia is characterized by:

- a low level of mutual cooperation between the members of the Slovak start-up ecosystem and universities or scientific institutions
- the lack of a link of the start-up community to colleges or scientific institutions,
- inadequate business skills and overall low interest in business as a career choice,
- regulatory environment that does not sufficiently motivate

³ Source: MF SR. 2015. Concept to support start-ups and development of the start-up ecosystem in the Slovak Republic

⁴ Source: KPMG, 2014, Startup Survey Slovakia 2014: Annual report. Bratislava: KPMG Slovakia, 2014. 81s.

- limited supply of financial and non-financial instruments,

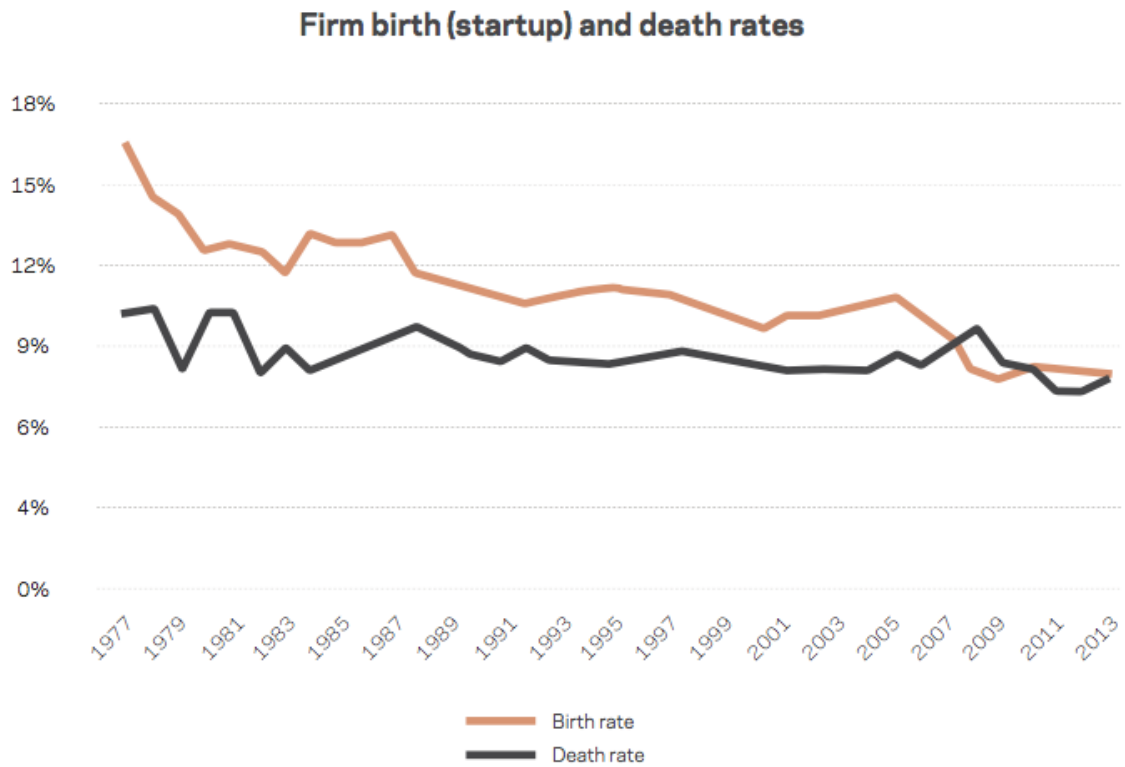
On the international level we have a lot of different definitions that can be considered to fulfil the start-up meaning. For example, entrepreneur Eric Ries in his definition: “A human institution designed to deliver a new product or service under conditions of extreme uncertainty.” is highlighting the purpose of business which is to deliver a product or service while pointing out that there the conditions are complicated.⁵ P. Wells and L. Jeng (2000) that are acting at Harvard Business School, are considering start up to be an enterprise that is moving from the business idea stage and is preparing for the production, marketing and sale of the product itself. This definition is interesting because even without mentioning the fast growth they are secretly highlighting the idea of the importance of making a good business plan. Good business plan can help entrepreneurs project the most basic factors that affect the growth itself. However, the general public, the start-up community and the professional literature, use more common definition of start-up, which also emphasizes the innovative nature of such a business project. For example, the consulting company KPMG in its annual, thematic-oriented publications defines start-up as a "young company that uses innovative technologies, disrupts current business models and has prospects for global growth"⁶. According to S. Blank ⁷start-ups represent organizations based on the purpose of searching for a repeatable and scalable business model. Their primary goal can be to achieve profit, income, or new customers – anything that the investors and the founders of start-ups will mutually agree. All these companies share the same main idea, as mentioned before, that start-up is a new company bringing something innovative for which reason has a fast and high grow potential.

⁵ Source: REIS, Eric. *The lean startup*. New York: Crown Business, 2011, 27.

⁶ Source: KPMG. 2014. *Startup Survey Slovakia 2014: Annual report*. Bratislava: KPMG Slovakia, 2014. 81s.

⁷ Source: BLANK, S., 2010. What’s a Startup: First Principles. Available on the Internet: <https://steveblank.com/2010/01/25/whats-a-startup-first-principles/>

Graph 1 Start-up birth and death rate



Source: Downloaded from: Census BDS, 2017

In graph 1 we can see the two lines: orange one representing birth rate of start-ups, black one the death rate from years 1977 to 2013. We can observe high decrease by more than 50% since 1977. From 2007 to 2009 the death rate was higher than birth rate which was most probably caused by Great Recession. Senor a Singer define that innovations represent a single, proven path how economies could grow steadily, especially if it made by newly established enterprises.⁸

1.1.2 Start-up vs. Company

Part of the people consider start-up being any starting company, regardless of its object of activity, potential or other factors. Transnational institutions, in terms of terminology, are using start-up as an indication of any starting business. Even the European Association of Private Equity and venture capital (EVCA) defines start up as an enterprise that is in the process of starting a business or shortly after starting a business but not yet making a profit.

⁸ Source: SENOR, D., SINGER, S. 2011. Start-up nation: The story of Israel's economic miracle. Random House LLC. ISBN-13: 978-0446541473

The main disadvantage of this point of view is that the above definition puts sophisticated innovative firms that have the above average potential to become one of the key organizations within the domestic economy, together with mainstream start-ups that never exceed the boundaries of a small local enterprise. British computer scientist, entrepreneur and investor Paul Graham is concentrating on the one single quality. According to him:” A start up is a company designed to grow fast. Being newly founded does not in itself make a company a start-up. Nor is it necessary for a start up to work on technology, or take venture funding, or have some sort of "exit." The only essential thing is growth. Everything else we associate with start-ups follows from growth.”⁹

If we summarize the attributes of different definition approaches, start-ups are generally distinguished from other companies in particular by being an innovative company with a scalable business model, which is located in the initial stages of business and is characterized by a high growth potential, but also a high risk of failure. As we mentioned, even Slovak Republic itself is considering start-up as company not older than 36 months that brings an innovative product or service. However, start-up’s main factor that is differentiating it from any company is the high growth potential it represents with bringing the innovative product/service. The growth plays the essential part in defying what does start-up really stand for as not every company is predestined to grow fast.

1.1.3 History of start-ups

Start-up had experienced the biggest boom in United States of America between 1996-2001. As a focal point we consider Silicon Valley, United States of America. It happened during phenomenon so called internet “dot.com” fever due to which a lot of new companies were established. Nowadays thanks to constantly developing technologies and change in consumers preferences start-ups are in very good position to start.

In Slovakia, the start-up ecosystem is relatively young still not fully developed but we can surely say that it continues in a dynamic development. Under the ecosystem, in this context, we understand the community of start-up companies, individual Investors, institutional private and public sector investors, initiatives providing non-financial support

⁹ Source: GRAHAM, P. Startup = growth, 2012 [cit. 2020-05-15] Available on the Internet: <http://www.paulgraham.com/growth.html>

and mutual interaction between these entities. According to the Ministry of Finance of the SR, this ecosystem began to develop in the relevant form in Slovakia between years 2010-2011 thanks to the private sector's partial initiatives, while the public sector has begun to actively deal with the support of start-ups since the year 2013¹⁰.

¹⁰ Source: MF SR. 2015. Concept to support start-ups and development of the start-up ecosystem in the Slovak Republic

1.2 Start-up growth

As mentioned before, the most essential thing for start-up is its growth. From foundation to the creation of successful company leads long and bumpy road. Therefore, every company, including start-ups, should put a grand importance on the preparation of a detailed business plan. Business plan can serve as a prevention from a part of unexpected or expected events. Even if we cannot prevent all these events from happening, the company has a higher chance to succeed if backed-up with a good business plan.

1.2.1 Growth stages

A successful company is not created overnight. Just as any other company, start-up also must go through different stages that will lead it to stable phase of business. The idea itself is nothing without the realization in real life. The project should contain certain added value, which helps it to be different from the competitors¹¹. The start-up life cycle can be divided into 6 basic stages with different time duration. Each stage is also defined by different group of activities that are essential for this stage, just as it is shown in the following table.

Table 1. Start-up growth stages

Stage	Duration	Activities
1.- Discovery	5-7 months	<ul style="list-style-type: none">• Looking for mentors• Evaluate business potential• Public interest exploration• Establish a founding team• Investments from family and friends• Choose of product or service• Join an accelerator or other
2.-Validation	3-5 months	<ul style="list-style-type: none">• Detailed testing• Minimum viable product• Improvement of basic criteria

¹¹ Source: GUILLEBEAU, CH. *Startup za paketel*. Příbram: Jan Melvil Publishing, 2013. 310 s. ISBN 978-87270-59-2.

		<ul style="list-style-type: none"> • Public interest authentication • Acquiring first paying customers • Acquiring investors
3.-Efficiency	5-6 months	<ul style="list-style-type: none"> • Refine business model • Improve efficiency of customer acquisition • Find a repeatable sales process • Revising or expanding your business plan
4.-Scale	7-9 months	<ul style="list-style-type: none"> • Acquiring large customer base • Improvements based on feedback • Improve the back-end scalability • Establish departments, hire executives • Financing by venture founding
5.-Profit	-	<ul style="list-style-type: none"> • Effort of profit maximization
6.-Renewal	-	<ul style="list-style-type: none"> • Making business activity more effective

Source: REDDIT. *What is start-up?* [online]. 2014. Available on internet: https://www.reddit.com/r/startups/comments/2d4d5y/the_6_stages_of_a_startup_lifecycle_and_other/

The annual report of the KPMG Startup Survey for year 2014 shows that many Slovak start-ups are even after a longer period, still found in the beginning stage. Interesting fact mentioned in the report is, that 50% are generating incomes but 83% is not reaching 100 000 Eur per year. 69% of start-ups in the report said, that their products are not yet prepared to enter the market.¹²

For a start-up company the growth is the most essential thing in its way towards success. Even that the process shouldn't be hard to follow, the reality is that most of the start-up companies is meeting problems during their first years of operations and if the company doesn't have the ingredients to fight these problems, it fail and is forced to end its operations.

¹² Source: KPMG. 2014. *Startup Survey Slovakia 2014: Annual report*. Bratislava: KPMG Slovakia, 2014. 81s.

1.3 Problems related to growth

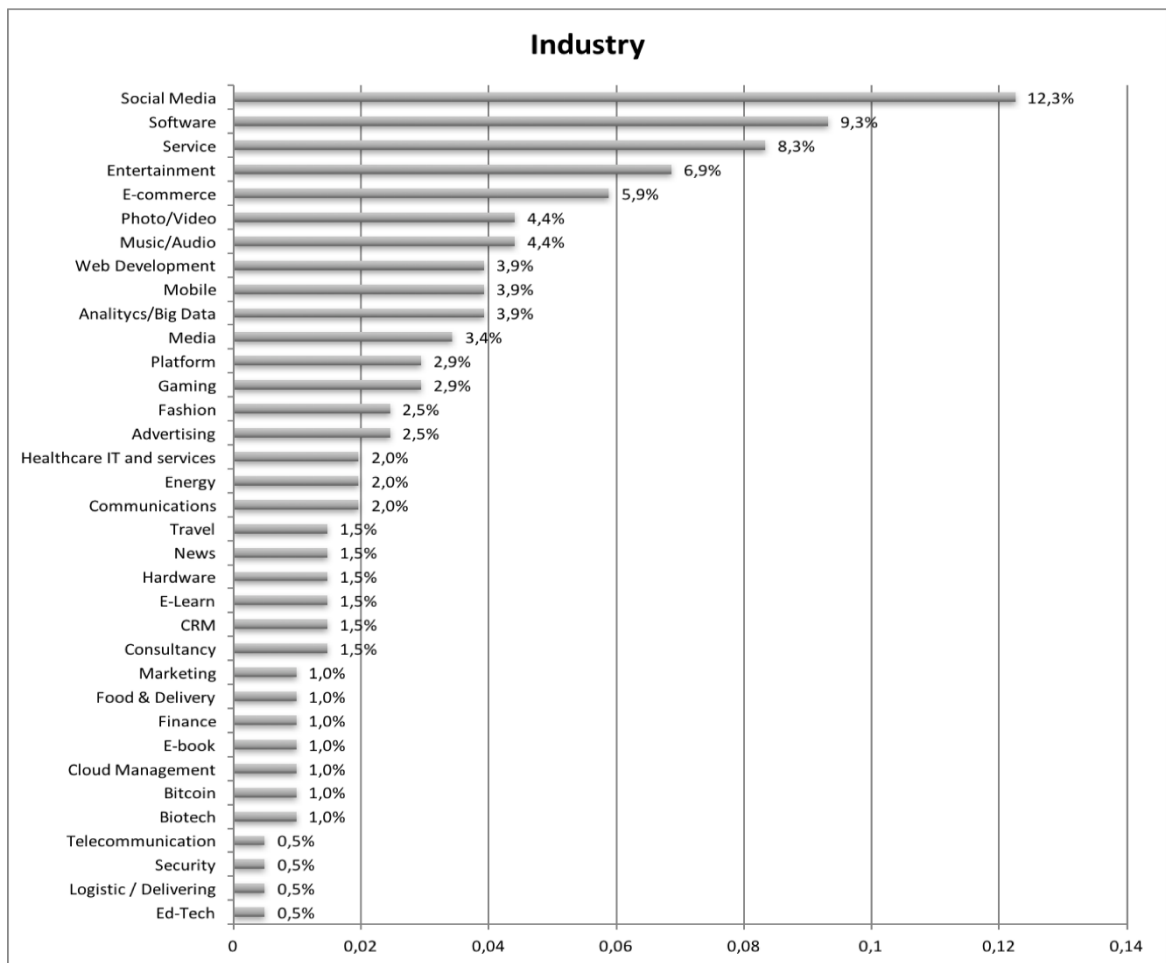
Business world is not treating new enterprises kindly. Sooner or later first problems appear. Either you deal with them and show you are able to survive on the market or you will fail. Every enterprise is meeting problems. These problems can appear during different stages of its life and start-ups are not an exception. Due to these problems, more of them fail rather than succeed. In fact, several surveys indicate that up to 90% of start-ups is destined to failure because they lacked some essential ingredients. The other approximately 5-8% works, but it fails to enforce, in terms of success, as they are close to the long- range of red and black numbers. Only around 1-2% of start-ups are successful and can be considered as long-term sustainable projects. And only a small amount, i.e. 0.5% of start-ups, can really "fight back ".

As looking for the statistical numbers that are related to start-up failure in Slovakia we are encountered with an obstacle. As mentioned before, in Slovakia is this concept practically new. This is the probable reason why such information and statistics do not exist in the database of Slovakia. Worldwide we can find some statistical information which we will also use to support our work. For the statistical information we will use data related to the start-up failure rate as data related to factors that limit the enterprises growth are not available.

The start-up failure rate is very high. To be exact, 90% of start-ups fail in the early life period. This percentage differs with year. As in the first year its only 10% in the next year it goes up to 80%.

Figure 2 shows a diagram that is representing start-ups that are launched by industry. Part of the research was 214 companies.

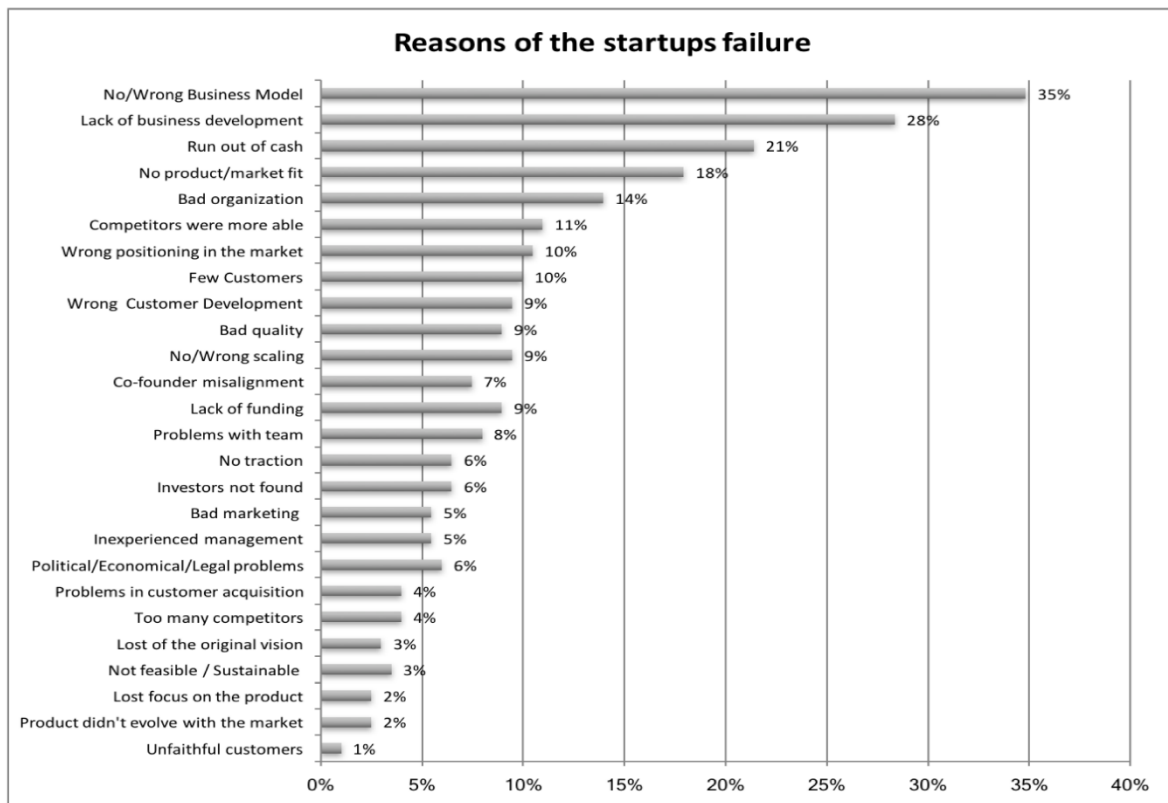
Graph 2 Start-up most common industry



Source: Downloaded from: CANTAMESSA, M.; GATTESCHI, V.; PERBOLI, G.; ROSANO, M. Startups' Roads to Failure. *Sustainability* 2018

On the other hand, different studies have been analysing reasons why start-ups fail and try to find the reasons due to which this is happening. Few of these diagrams we will analyse here. Although Start-ups are dominated by the information-communication technologies, it may not be exclusively geared towards new technologies. As we can see on the third place there are Services on fourth Entertainment.

Graph 3. Reasons for start-up failure



Source: Downloaded from: CANTAMESSA, M.; GATTESCHI, V.; PERBOLI, G.; ROSANO, M. Startups' Roads to Failure. *Sustainability* 2018

Figure 3 was made by the same research team as Figure 1 and therefore, 214 companies that were before categorized by industry are now analysed according to the reasons of failure. From the diagram we can see that 35% that takes the most likely reason for failure is no or wrong business model. While existing companies are already conducting their business model start-up companies are looking for it. As not prepared and trying to manage while running, start-up's positive approach can represent a huge problem later on. Lack of business development is very common in start-up failure reasons. The company is not moving forward and its staying still. Lack development means limitation of growth therefore, we see that stagnating business can lead to an end very soon. In everyday updating business environment would be very hard to keep on a business that is far behind. On 3rd place we see that a company ran out of money. Finding investor can be hard. Even if you think that you have a great idea and it could really be missing on the market, it doesn't mean that the investor will see it the same way as your company or he or she just won't be interested in the market that your product will be targeting to. Between other failures belong bad organization, bad product quality, bad marketing, too many competitors, etc.

Depending on how failure is defined, various rates are being reported. According to Paul Graham and other prominent Silicon Valley investors, the failure rate of tech start-ups is around 90%. And this failure rate is observed even among companies that have been accepted by Y Combinator – a prominent U.S. accelerator, located in California, where start-ups are selected and guided by experienced investors and the acceptance rate lies below 5%.¹³

Between the essential ingredients that we mentioned we include:

- management knowledge
- administration knowledge
- team spirit
- inability to predict the market change
- ability to produce product that will be demanded
- financial knowledge

The first mentioned is probably the most important one. Management is not only about dividing the job between your co-workers, is also the responsibility to solve internal problems that occur all the time. From finding the right place to work through reliable suppliers to finding proper investors that would be willing to support the idea and help to sell it though.

As for the administration problems, bureaucracy can represent a real problem for young entrepreneurs. As either changing existing “s.r.o” to “a.s” or just creating new “a.s” company, can be really frustrating for people that do not know much about business world. It is a lot of things that they need to go through with government and make sure everything necessary had been fulfilled. Even for an entrepreneur this part can be challenging, and they may need the help of a lawyer that can lower the possibility of forgetting something important that can slower down the whole starting procedure. In SBA research 5 out of 7 start-ups claimed that they had problems with the bureaucracy¹⁴

Team is very essential part. Even that there exist exceptions it is always better to start business with someone rather than alone. For the team is very essential to have chemistry –

¹³ Source: Blodget, Henry: DEAR ENTREPRENEURS: Here is How Bad Your Odds Of Success Are: <http://www.businessinsider.com/startup-odds-of-success-2013-5?IR=T>

¹⁴ Source: Slovak Business Agency, 2018, http://www.sbagency.sk/sites/default/files/5_analyza_start-upov_na_slovensku.pdf

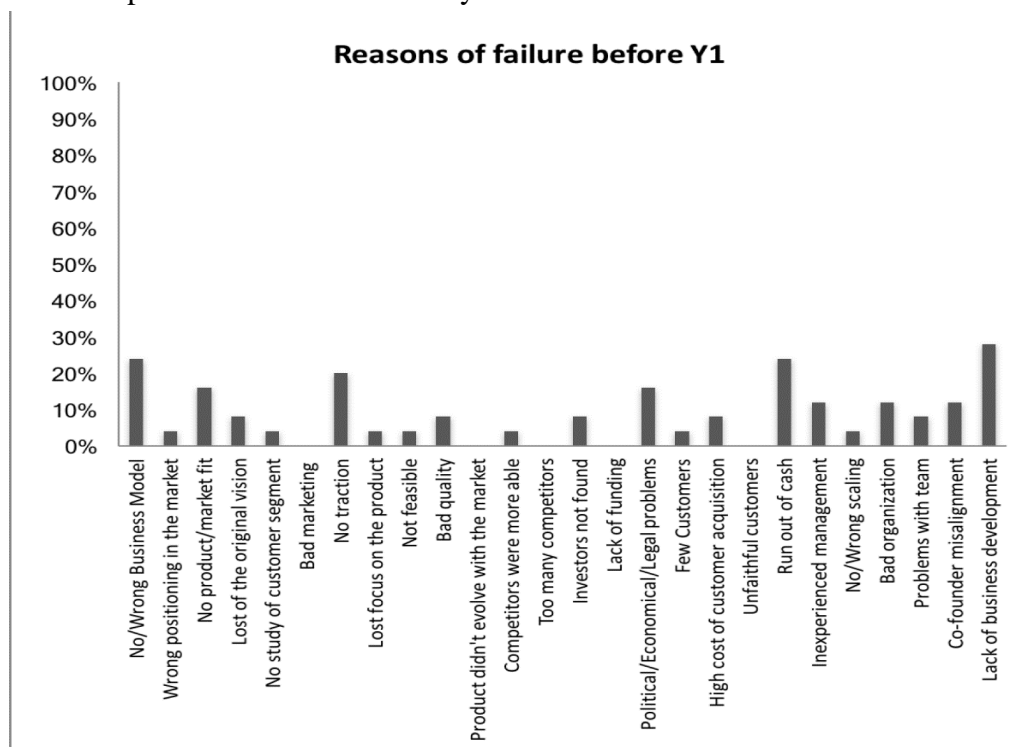
as they will be together every day for about 3-5+ years. It is not always easy to find people with which you can spend more than 15 minutes and not years.

If we think of failure as the non-achievement of a projected rate of return, then around 70%-80% of the start-ups are identified as failures.¹⁵

An American entrepreneur and investor, Alan Patricof, has prognosticated that the failure rate of new businesses might increase in 2015. His concern was based on possibility that with lower founding costs and easy access to capital, higher number of entrepreneurs that enter the market will start a business being an “imitation” of an existing business rather than come up with something innovative.¹⁶

1.3.1 Problems in the first year

Graph 4 Problems in the first year



Source: Downloaded from: CANTAMESSA, M.; GATTESCHI, V.; PERBOLI, G.; ROSANO, M. Startups' Roads to Failure. *Sustainability* 2018

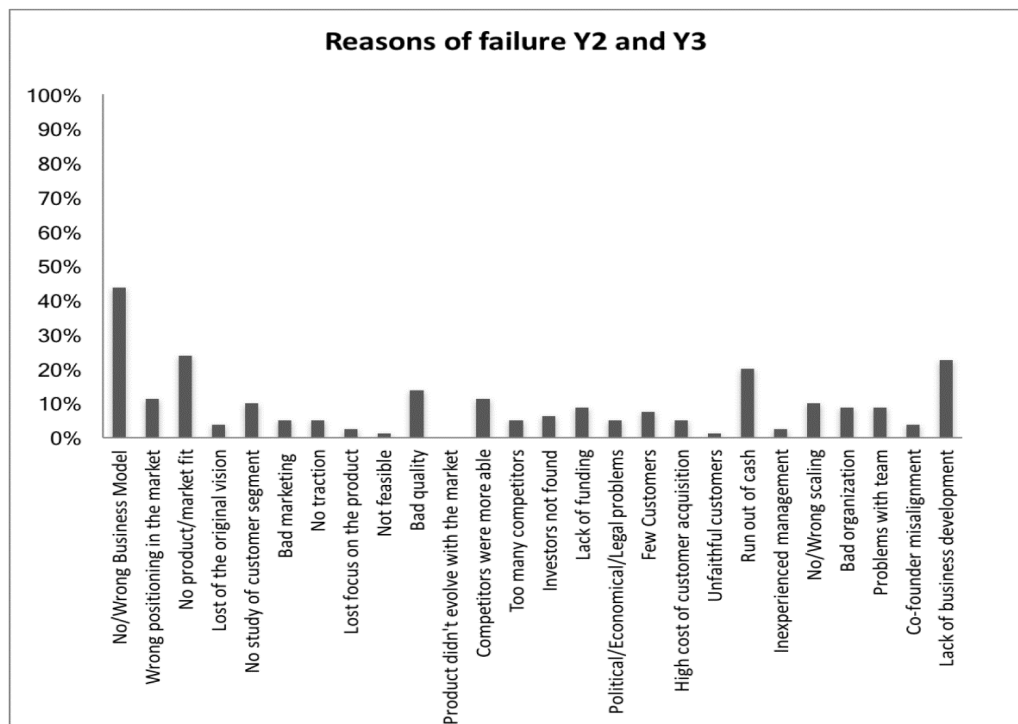
¹⁵ Source: NOBEL, C. Why companies fail--and how their founders can bounce back. Harvard Business School, 2011.

¹⁶ Roof, Katie: Patricof: Startup Failure Rate is Going to Be “A Lot Higher” <http://www.businessinsider.com/startup-odds-of-success-2013-5?IR=T>

The most common reason for start-up failure is represented by lack of development. Here we see the importance of our thesis as we are focusing on the problems with slow development. Under business development we understand the creation of long-term value for an organization from customers, markets, and relationships. Start-up are usually created by young people with lack of experience of how to run a business. Therefore, expecting them to keep up can be sometimes very naive. That's connected with the second most common reason to fail which is running out of money. Unexperienced people may occur to have problem with dividing money to finance the company's operation and temp to spend them unwisely. Very little behind is no or wrong business model. This can be closely connected with running out of finance as investors temp to decide based on well processed business model. Following are no traction, political/economical or legal problems, no market fit, which means that even if the product is missing on the market and could succeed, the market on which is the product being applied doesn't have to be interested while other on other market it would succeed. For example, a cheese in spray would probably not succeed on Slovak market but on American it did succeed.

1.3.2 Problems from the second to the fifth year

Graph 5 Problems in the second and third year



Source: Downloaded from: CANTAMESSA, M.; GATTESCHI, V.; PERBOLI, G.; ROSANO, M. Startups' Roads to Failure. *Sustainability* 2018

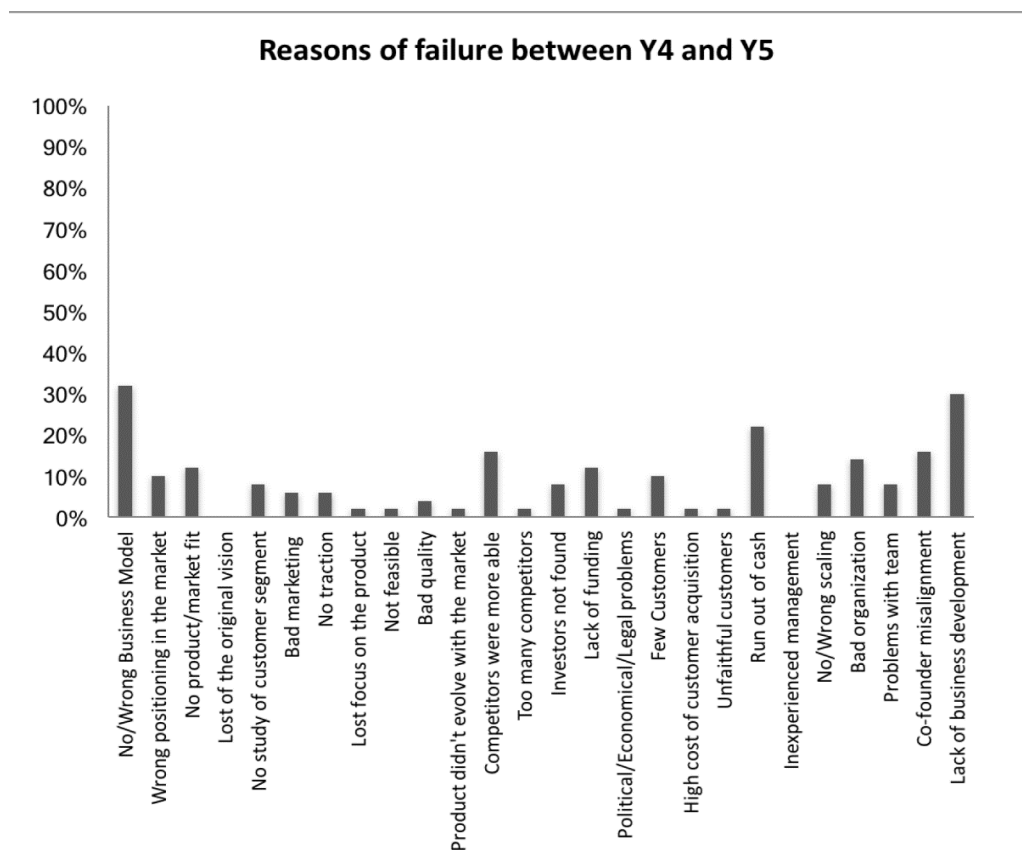
In the second and third year, the graph slightly changes. While in the second year the dominating position was lack of business development, here wins the no or wrong business model. Not making a business model can represent a real mistake. In business plan we are differentiating 2 basic functions:

- Internal function: The business plan is part of the management and control of the company, it is developed in global output indicators within a monthly, quarterly and annual time frame.
- External function: The business plan is used to showcase the company externally, it is developed for lenders, investors, business partners.

It is followed again by lack of business development run out of cash and no market fit. The difference from the first year is in bad marketing, too many competitors, lack of funding and even unfaithful customers can represent failure for businesses in second and third year of operation.

Year 4 and 5 does not show very big changes from the previous years.

Graph 6 Problems in fourth and fifth year



Source: Downloaded from: CANTAMESSA, M.; GATTESCHI, V.; PERBOLI, G.; ROSANO, M. Startups' Roads to Failure. *Sustainability* 2018

The first 3 reasons for failure stay the same. The small changes that we can observe are: higher portion of not being able to find investors and lack of funding- with the time is harder to find funding from investors and others as you should be already self-dependant as a business and be able to finance your next moves, bad organization- with increasing obligations comes higher responsibility that can be unbearable for young entrepreneurs, and the highest increase we can see in co-founder misalignment- this is something that can happen as being with the same person for 4 or 5 years almost every day can be really frustrating. Not only being with them but also discuss problems and prepare and analyse next strategy steps. Both founders have their own opinion, there is no way that they will agree on every step or problem. Cooperation is like a relationship it needs a big portion of compromise from both sides equally. In this case, personal interests have to go aside as the company's interest must be on the first place.

2 Aim of the thesis

In this bachelor thesis we are focusing on the analysis of problems that are slowing the growth of a chosen start-up company that is based in Slovakia. We are looking at this problem from different point of views, that is why we are also analysing aspects that lead to these situations.

2.1 Main aim and partial aims

Aim of this thesis is to analyse the factors regarding limited growth of the chosen Slovak start-up. We will determine the factors but also analyse the approximate value that represents the how much a concrete factor is responsible for the limitation. Furthermore, we will determine probable causes of the limited growth.

To make this research, we need to investigate some key areas that are determining the concrete problem. Therefore, we decided to determine partial goals that will help us to complete the main goal. For the factor identification we decided to categorize the limiting factors following their main intention. We have created 5 categories that are described in following paragraphs.

Financial & support issues

Every company needs finances for its operations and start-up is not only not an exception for start-up is one of their key factors that determine its growth rate. Therefore, we set up partial goal in financial and support area. Specifically, one of our partial goal is to explore the following 4 factors:

1. High cost related to search of new customers
2. No/Insufficient support from state
3. Complicated search for investors
4. Lack of finance

As we mentioned, financial factors are one of the most important factors related to growth of start-ups as most of them is depending on an investment. This is because the product they bring is innovative and needs detailed testing and development that represent the main expense item for which majority do not have the resources

Managerial & internal issues

Internal and managerial issues represent a limitation factor for all types of companies. The right management can make the company effective and in long-run, profitable and prevent the company from different problems.

The following partial goal is focus on the area of managerial and internal problems. For this partial goal we set up 8 factors that we want to examine:

1. Unexperienced/insufficient management
2. Insufficient organization inside start-up
3. Complicated search for team
4. Disagreement with the co-founder
5. Insufficient business experience
6. Low customer knowledge
7. Insufficiently processed business model
8. Insufficient marketing

One of factors that is the most likely to be limiting the growth is Insufficiently processed business model as it is very common for companies not to pay enough attention to this factor. For start-up companies is even more important to study and prepare its business model as it is predicted to grow fast.

Market issues

Issues on the market level are also a very common limiting factor. New companies are created everyday and the competition grow. For start-up companies is important to make s good market and customer research before the start. It is very common that start-up starts sell the product that the customers do not want, need or are just not ready to see its usefulness.

Third partial goal represents the area of market issues. For this partial goal we chose to further analyse following 7 factors:

1. Insufficient knowledge of the business sector
2. Market limitation
3. Insufficient market in Slovak Republic
4. Wrong scaling
5. High level of competition
6. Too many competitors

7. Low amount of customers

Product issues

It is usual that the visualization of the product is much more optimistic than the final product. Therefore, our fourth partial goal is representing the area of product issues. We prepared have the following 3 factors that we will analyse:

1. Change of the focus of the product
2. Complicated search for suppliers
3. Problems with product

For the change of the focus of the product we understand that the start-up changed the decided to change the product with which it originally started its operations.

Other issues

The following partial aim represents factors with different focus. For the purpose of our thesis we decided to examine the following 3 factors:

1. Environmental factors
2. Political/Economical and Legal problems
3. Complicated bureaucracy

In Slovakia, the complicated bureaucracy is an issue not only for companies but also for self-employed persons and others. Importance of environmental factor is usually forgotten. In fact, the environment for a start-up is even more difficult and critical than for an established firm (Bruton & Rubanik, 2002; Van Gelderen et. al., 2005).

After identification of the factors is important to add also probable causes of the limited growth that will be analysed accordingly to the factors described above.

Another partial aim to complete the thesis is a financial analysis. This analysis will be limited as by this time the chosen start-up does not generate any profit and neither has information regarding its expenses. Therefore, we decided to create a projected cost analysis of the start-up company.

After the financial information, the following will be a list of recommendations and managerial steps for the given company, that could help to improve its future operations and avoid problems that are slowing its growth.

3 Methodology of the thesis and research methods

Our research is based on analysis of reasons why chosen start-up company has problems with growth and development. We used different specialized methodologies that helped us to gather all information. In the first part of the thesis we were mostly concerned with collection and the following procession of the information. The information was gathered from different sources as professional publications, statistical publications, books, and professional articles in electronic version but also some books in paper form.

In the part of results and discussion we used the information gathered from the survey and statistical information on reasons for failure found in the research available on the Internet.

3.1 The characteristics of the examination object

The chosen company for our thesis is newly established start-up company set-up in the September 2019. This start-up operates within technology- medical industry. The company's founder is a young man which motivation for the idea come to his mind while his mom was talking about the medical care and lack of employees in the developing countries. He is not running the company by himself he has co-founders. S-Case is inventing a technological device that is oriented on help to the doctors around the world. Their vision is that the device should help doctors but also unpractised personnel in the third world countries where all the numerous, big and energetically demanding devices could be replaced with S- Case. The development of this device started in April 2018. This device should be monitoring the life-functions of the human body. First function is EKG to measure heart activity and respiration-breathing. The second one is highly sensitive stethoscope that can be easily attached to patient's chest and measure the valves echoes. S -Case will also contain the Pulse Oximeter that measures pulse and blood oxygen saturation. In the last part, this device should contain the temperature measure and vein seeker to help detect anatomical structures- veins. All the information that the device gather you can send thousands of kilometres directly to the computer or mobile version application of the doctors. The vision is to help to the doctors around the world, make their job easier and the world healthier.

Start-up is based in Bratislava, Devínska Nová Ves. As mentioned, start-up was found up by 3 co-founders. These 3 are also known as only employees of the enterprise. As company

is not generating profit the co-founders are not taking any financial benefits. For now, start-up has the aim of finding the necessary investment and is working on the search.

Picture 1. in annex

3.2 The method of obtaining data and their resources and the methods of evaluating and interpreting the results used

As the information regarding the problems related with growth in a start-up companies are very limited if any, we decided to base our research on reasons for failure of this type of companies. For the method of obtaining the data we chose a survey and to limit the personal contact during pandemic, we have prepared an online survey in the webpage www.click4survey.cz that we sent to the chosen start-up S-Case. The survey contained factors of limited growth that start-up could be experiencing in present time or had experienced in the past. The factors included in the survey are analyzed in previous chapter-Partial aims 3.1 as we decided for these factors, to be the most common influencing growth of the start-up company.

Overall number of factors was 25, while financial issues:4, managerial and internal issues 8, market issues:7, product issues:3 and other issues (different categorization):3. The ratio of number of factors influencing and not influencing the growth of S-Case was 9:25=36%. This percentage is naturally lower as the chosen start-up is at beginning of its operations (validation stage, Table 1. Start-up growth stages).

The results of survey come from a real start-up company and were answered by the cofounder.

As the factors were processed in a survey, we needed to quantify the data to be able to continue in further analysis. The source of data was in numerical form but the scale to evaluate the factors was equal to verbal value. Start-up was asked to evaluate each factor in the scale of 0 to 100, where 0 is understood as definitely no- not influencing the growth, and 100 as definitely yes- influencing the growth.

To complete the evaluating process, we used the statistical information from failed start-ups and the reasons of their fail. After evaluating the value of how much a start-up a factor is slowing the growth of the enterprise, we compared it to the percentage of start-up that stated the same factor as reason of their failure. The number of start-ups in the comparing statistics was 214.

4. Results

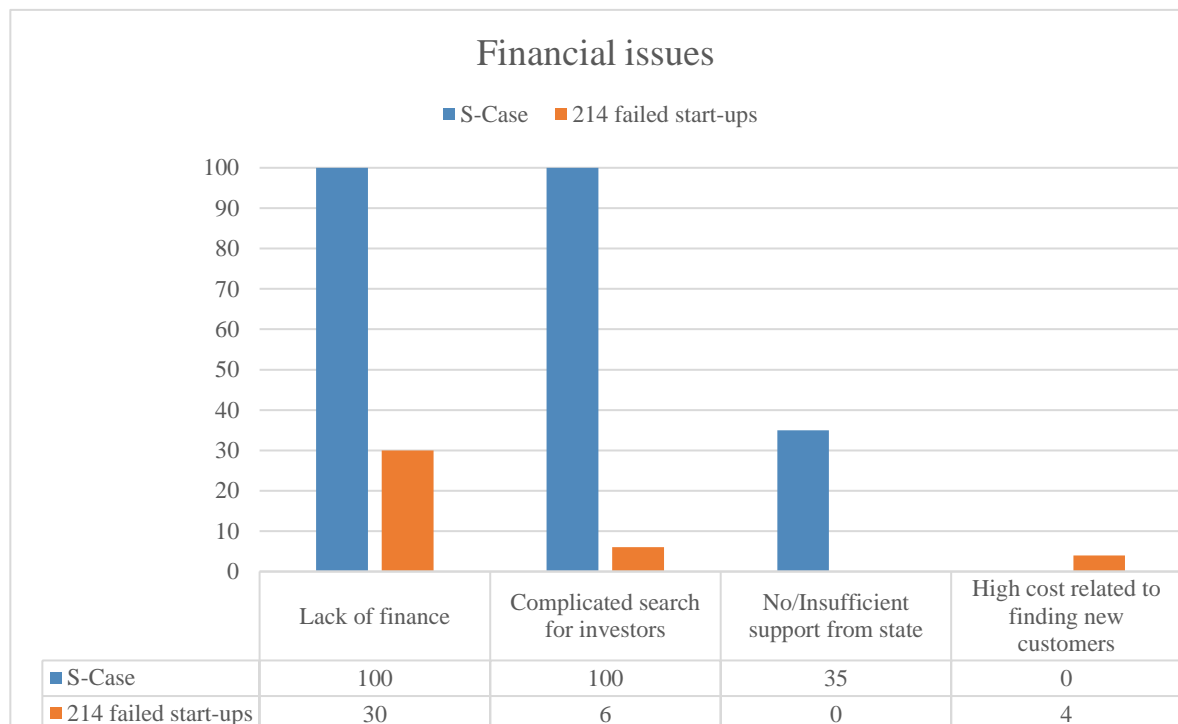
The aim of the thesis was to show which factors are influencing the start-up growth and in which way. The start-up support environment is continuously evolving around the world. This is particularly because governments are aware of the importance of this segment of companies, which also has a significant impact on the growth of innovation potential and the economic growth of countries.

4.1 Evaluation of survey results

The start-up company was asked to fill in the survey related to the problems that could have effect on it in such a way that it would slow down its growth and development.

4.1.1 Financial issues

Graph 7. Financial issues



Source: Own processing and Sustainability 2018, 10, 2346.

First part of the survey is related to the financial problems. The financial aspects are an important factor related to the company's performance. Every business needs money for its operations. Majority of start-ups is dependant from an external source of funding as investors. As start-up brings an innovative idea it is mostly connected with the need for

starting budget to test and put the product in operation but also for its other operations as finding the right space for working and other operating activities.

The start-up stated that the most important problem for them represents the lack of finance that could be caused by the complicated search for investors which the subject also marked with the highest value that is equal to definitely yes when asking about factor that limits its growth and development. As we compare it to the percentage rate of failed start-up, which we said we use for the problems with growth, 30% from 214 failed start-ups failed due to lack of finance. 6% stated that the reason was complicated search for investors. Investors are very careful with their money and if they don't see the potential in the business, they do not risk a loss of their money. For example, Business Angels want involvement that produces emotional and intellectual reward. They also want an 'exit strategy'. They want to be sure their investment will not only get back to them but also earn some more money on top.¹⁷

Another aspect that start-up evaluated as a factor influencing its speed of growth is the no or insufficient support from state. In Slovak Republic, start-up is still relatively new concept and therefore, support from state is something that is still question of future activities. As for the support regarding to the start-up companies former president Andrej Kiska in year 2014 was on business trip in USA. The report from Ministry of Foreign Affairs informed that President SR absolved meetings in New York, Boston, San Diego and Silicon Valley where he was accompanied by 14 start-up companies. "The trip of the president of the SR has opened up the possibilities of cooperation in supporting the expansion of Slovak startups to the US, in online education and technology transfer and building a security cluster in the SR. The work path has also supported existing initiatives to support the startup companies of the SBA (Startup development Program) and MF SR (Concept for support of the start-up ecosystem and clusters in SR."¹⁸

Last aspect of financial issues of the survey was the high cost related to finding new customers. This is closely connected to the marketing strategy of the company. S-Case has not started yet with the sale of the product therefore, this aspect is evaluated as definitely no-not affecting the growth. Start-ups from external survey claim otherwise. They stated that not only the had problems with this factor, it was also one of the causes for its failure.

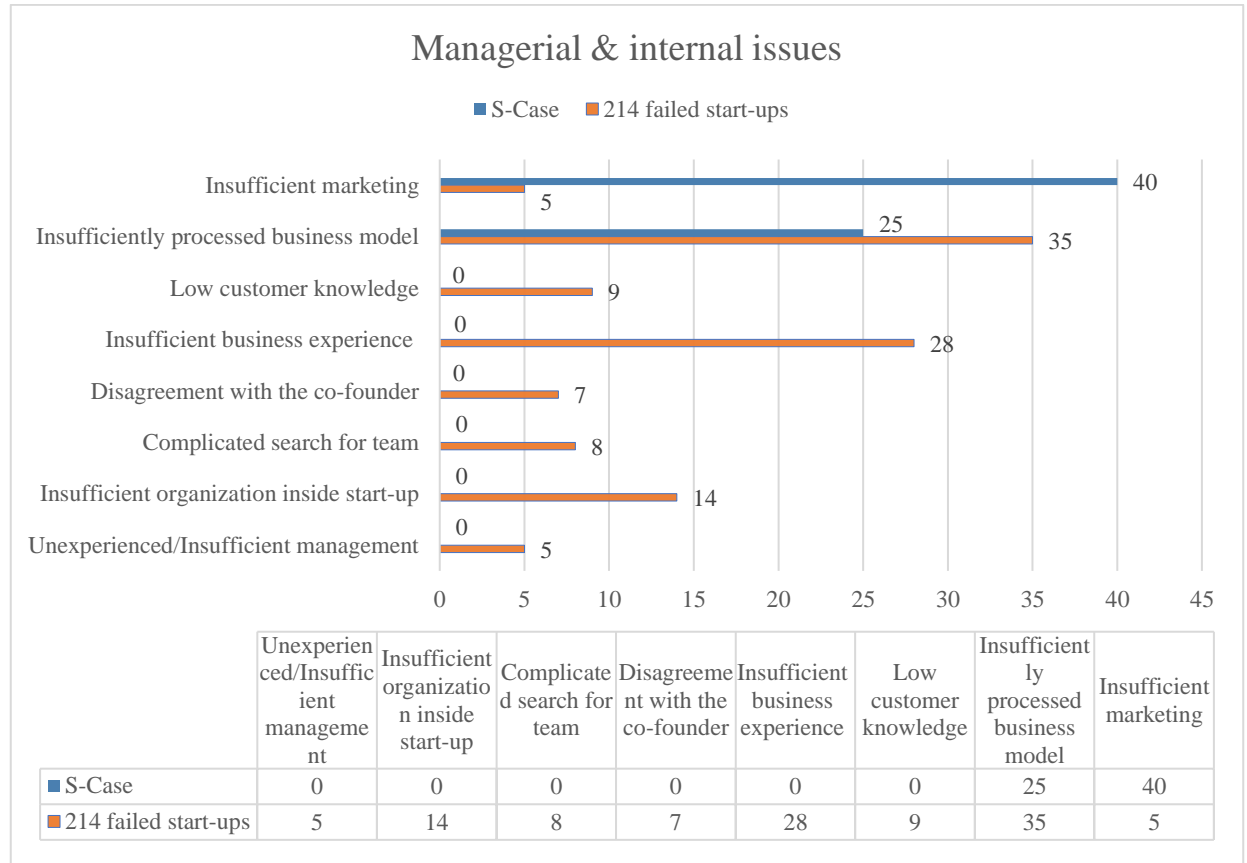
¹⁷ Source: Holaday, J., Meltzer, S. & McCormick, J. Strategies for attracting angel investors. *J Commer Biotechnol* **9**, 129–133 (2003).

<https://doi.org/10.1057/palgrave.jcb.3040018>

¹⁸ 5 Source: <http://bit.ly/1tkYM4p>

4.1.2 Managerial and internal issues

Graph 8. Managerial & internal issues



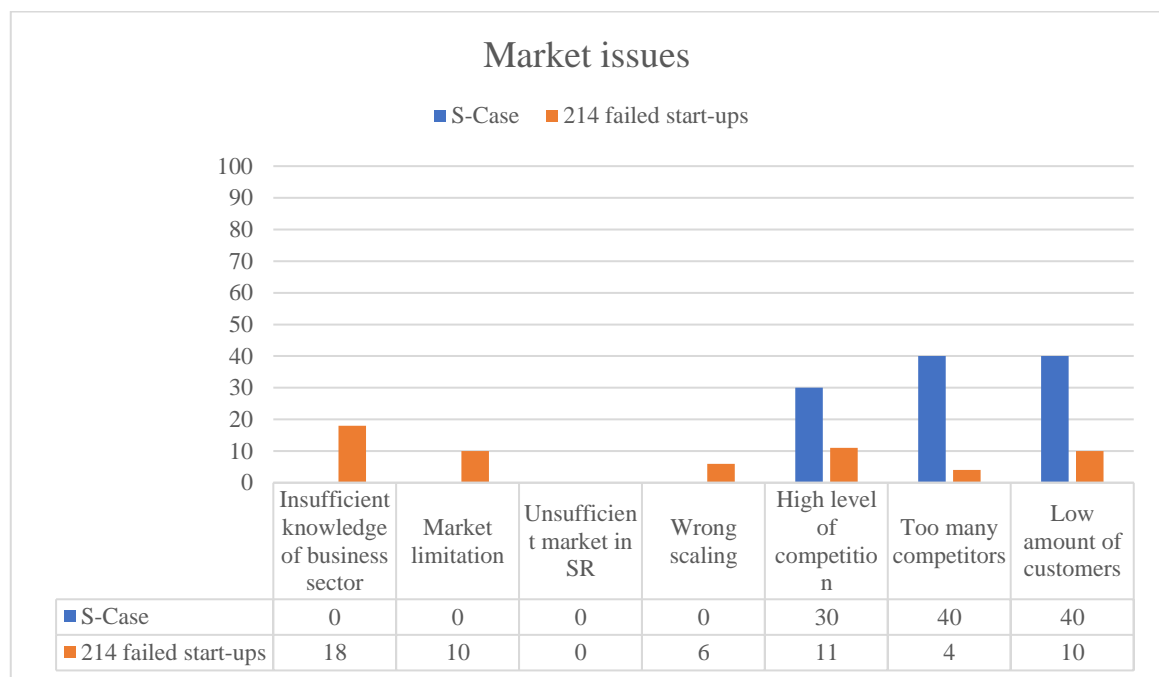
Source: Own processing and Sustainability 2018, 10, 2346.

From the table below the graph we can see that S-Case evaluated 0 in most of the factors. The factors that it marked as growth influencing are Insufficiently processed business model and Insufficient marketing. Business model for start-up is mostly something that this type of company figures on its way. Here we can see a probable connection with the difficult search of investors that start-up is experiencing. Business intention is mostly evaluated based on business model. The better described business model the higher chance for acceptance from business angels. Failed start-ups marked this factor as the cause of their failure. Following item is Insufficient marketing. Marketing is very important for business as it is a way to approach customers. If they approach is good customers know about the product everything they need and are consciously or unconsciously going to want the product. Good marketing strategy can mean not only an inflow of new customers but also an interest of investors.

Other highly marked factors for start-up problems that lead to failure are Insufficient organization and Insufficient business experience. These are partially connected as a founder mostly does the organization inside the company. This is very common reason; people are way too optimistic and proud to ask for help or just want to do everything by themselves. In fact, is very important to divide the jobs in any business and not to take care of everything as one person. One option is diving the business into department and give everybody partial goal that would help you create the one main goal which is to start being profitable. Many people, already successful businessman/businesswoman claim that the help from a person with experience not only saved them a lot of money but teach them how to do their business more efficient.

4.1.3 Market issues

Graph 9.



Source: Own processing and Sustainability 2018, 10, 2346.

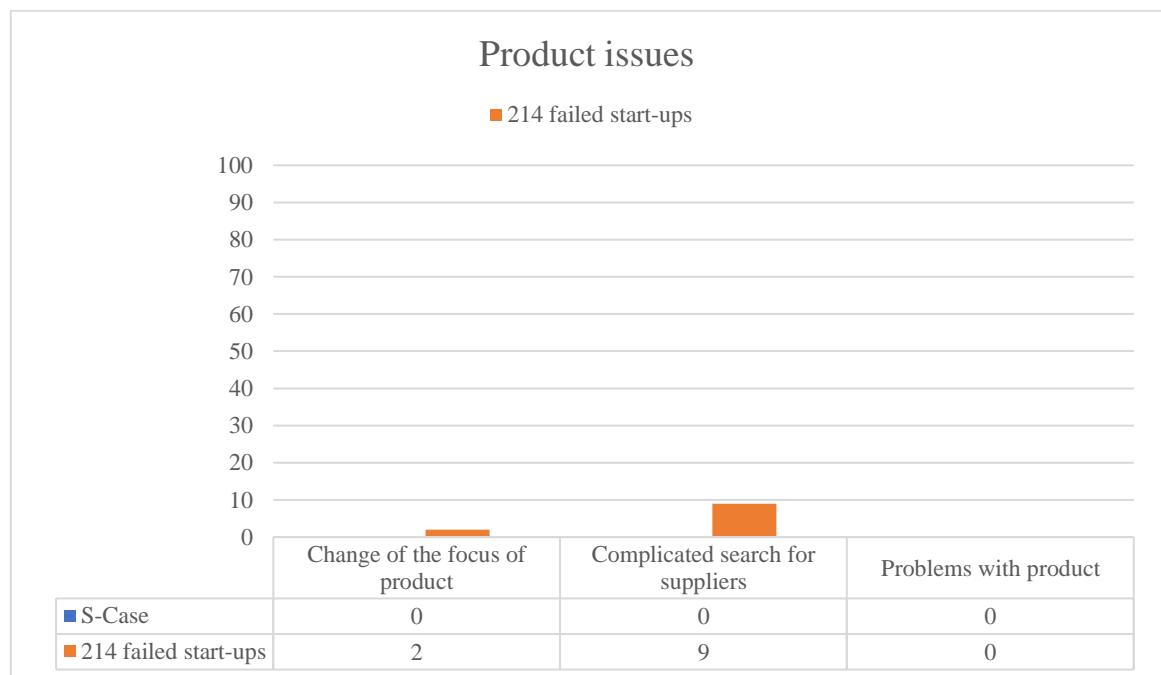
Market issues are very well known to every business. The competition grows everyday as new companies enter the market. S-Case evaluated that high level of competition and too many competitors is partially slowing their growth. As other companies are coming up with technological devices that would help us get to know more about our body it is becoming more question of time who will come up with the idea earlier. This is supported by the evaluation.

Low number of customers is something that should be discussed among founders before the company set-up. Is very important to make a research of the market as if the product will have demand to survive. The chosen start-up stated that this factor is rather influencing its growth.

4.1.4 Product issues & Other issues

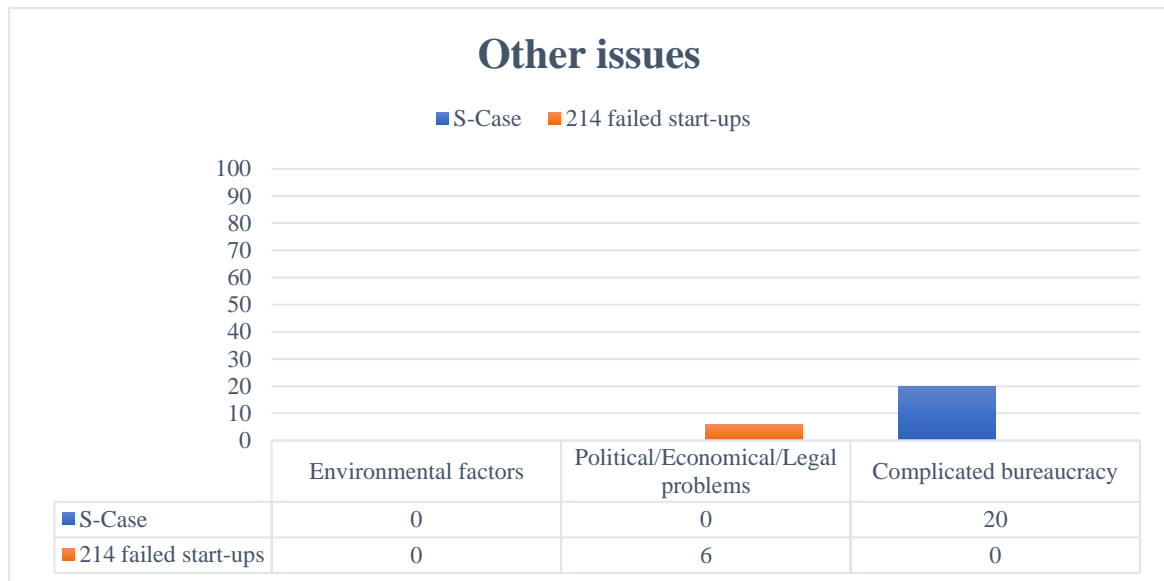
For S-Case the problems with product do not represent an issue regarding to its further development. Change of the focus of the product equals to definitely no, as start-up haven't started with the sale of its product. Their vision is clear and for now their product is their only aim. On the other hand, in graph 2. we see that this is one of the reasons that start-up could fail, in fact it is about 2% probability. S-Case stated that suppliers do not represent a problem in their growth therefore, we can assume they have no problem with their current supplier. As for the problems with the product, at this stage the product is not causing problems to the developers and therefore, the product is ready to take a step forward.

Graph 10.



Source: Own processing and Sustainability 2018, 10, 2346.

Graph 11. Other issues



Source: Own processing and Sustainability 2018, 10, 2346.

For S-Case the complicated bureaucracy is one of the factors that is slowing its growth. For a few years now, Slovakia is trying to ease the bureaucracy process as it made eID. This not only allow business owners but also normal people to handle a lot of things online, from home. It deals also with signing a document online while keeping the same value as physical sign with pen and paper. This is still in developing stage in Slovakia but slowly the bureaucracy is less stressful than it used to be. On the other hand, other start-ups stated that political, legal, or economic problems were also an issue. Which could represent change in legislature or market changes.

4.2 Financial analysis

Part of our thesis is also brief financial analysis of the chosen company. The basic information is provided from portal Finstat.sk¹⁹. A start-up S-case that was chosen for this thesis it is in the beginning of its operations. It does not generate any income yet that is why, our analysis will be based on the projected cost of the company.

For the financial management of the company is important, if not key area the cost management. A lot of companies had stabilized or improved its profitability with the observation a correct management of its cost. As we can see in graph 3 Reasons for failure in the first chapter 21% of respondents stated that the reason of their failure was that they run out of cash. While identify cost management as an activity or process is hard, we can

¹⁹ Source: <https://www.finstat.sk/52573699>

say that it is an approach and activities of managers for both short-term and long-term decisions, that are increasing the customer value and at the same time, decreasing the cost of product and service. Cost management has wide focus, but the main activities included are connected with the reduction of cost and the budget available. The main areas for cost management are calculation of the product cost, information from research for planning and control as well as the analysis of the relevant information- while deciding, manager has to know exactly which revenues and cost he or she have to take into consideration and which to ignore. Here, is very helpful managerial accounting and cost management as the analysis of relevant information is the key aspect of decision (Krištofik, 2011, s.139)

Table 3 Overview of the projected cost of the company S-Case for the year 2020

Cost sheet for 2020-2021, S-Case

Item	2020	2021
	EUR	
Office rent	5 200	5 200
Bills for water, electricity, etc.	550	550
Utilities	350	350
Office equipment (computers, tablets, ...)	5 500	500
Other supplies	150	150
Salaries	28 800	28 800
Insurance	1 200	1 200
Legal services	200	200
Accounting services	100	250
Product development	150 000	10 000
Product testing & prototype	340 000	0
Production cost	0	150/pcs
Marketing (advertising, etc.)	0	2 000
ΣTotal cost	532 050	49 300

Source: Own processing

Start-up stated that following investments had been made:

- 10 000EUR from Family and Friends

- 59 000EUR non-equity money from Brinc²⁰
- 20 000EUR from Slovak Aid Grant²¹

The company has the overall investment of 89 000EUR. As of now, it is in TRL6 which is testing and prototype stage. They are currently looking for an investment in the amount of 500 000EUR to cover the expenses for the testing and prototype activities.

For each business activity that is geared towards profit, it is necessary to ensure a level of turnover that is higher than the amount of the company's costs. The revenues and costs are related to the enterprise produced by the performances which are the subject of its business, and therefore each undertaking should be well aware of the relationship between the different types of costs and the relationship of costs to the volume of production, the market location of which generates revenue for the enterprise.²²

The cost sheet is based on the forecast that the start-up will find the investment, realize the testing a development for 12 months and then start selling the product next year. The first year would be therefore covered with the initial plus new investment. $589\ 000 - 532\ 050 = 56\ 950$ EUR will be left for the next year operations. The cost for year 2021 is estimated at 49 300EUR. In this price is not included the cost of production for the device. The estimated cost of production per piece is 150EUR/piece. Start-up will have money to produce $56\ 950 - 49\ 300 = 7\ 650$ EUR therefore, $7\ 650 / 150 = 51$, with the money left start-up will be able to produce 51 devices S-Case. If all these devices will be sold at estimated price 350EUR the start-up will generate revenue $51 * 350 = 17\ 850$. The rest of the money after taxation etc. should be used for further production as this amount will not cover the operations for next year. To be able to meet all the projected financial obligations start-up would have to produce at least 141 devices as $141 * 350 = 49\ 350$ EUR to be at its break-even point.

If start-up won't find the investment the first year it will be able to cover its costs also the next year as the initial investment is equal to 89 000EUR – 42 050(first year)- 37 500(second year)= 9 450EUR. Unfortunately, if start-up won't find the investment in the second year it will not have the financial resources to continue existing in the third year. For

²⁰ Available on Internet: <https://www.brinc.io>

²¹ Available on Internet: <https://www.slovakaid.sk/sk/grant-manazment/grant-management>

²² Source: Ing. Ján Bolgáč Kamil Gróf, Available on Internet
: <https://www.anafin.sk/33/nakladova-analyza-podniku-uniqueidmRRWSbk196FPkyDafLfWJ1qygbFHARZFzyVqhGK8nozbgvoUrzo4w/>

this reason, it will either have to take bank loan or find at least another, even if lower investment.

5 Discussion

This part of the thesis is dedicated to the discussion about the work and the list of recommendations that had been drawn up as a recommended prevention from the mistakes that lead to limiting the growth of the start-up company.

The business environment in Slovakia is mainly created from small and medium-sized entrepreneurs, representing up to 99.9% of all companies, including start-ups. Small and medium-sized enterprises provide employment opportunities for nearly 75% of the active workforce in the enterprise economy and contribute more than 50% to gross production and value-added.²³

As we discussed, S-Case is newly emerging company that has just started its development. It has a high growth potential, scaling potential and it has unique product that will help with the health records of patients. It is designed to grow fast, although it requires higher effort regarding to search for an investor. Therefore, its necessary to prepare the enterprise accordingly. The device that start-up is offering is very interesting and could really help do the doctors and patients not only in developing countries but all around the world as it merges devices for different measurement of life functions but also communication channels into one single device. S-Case level of uncertainty is not so high as health is and will be very important and therefore, there is very high probability that there will be enough demand on the market. Only uncertainty could be represented by the competition, which is also factor of their slower growth according to the results of the survey. Start-up understands that there are competitors that are more able and the possible reasons for this is, that our chosen start-up does not have enough financial resources and therefore, the competitor start-up has the financial leverage.

For fulfilment of the partial aims we have created a graph for each area of focus of the factors. The graph consisted of the results that chosen start-up stated in the survey. For evaluation of the results we had to change the numerical evaluation, according to our scale and analysed accordingly. As expected, the biggest problem that start-up is having are conditioned by financial factors. Lack of founding represents the major slow-down factor. The product is ready for testing and developing but lack of finance had stopped their further

²³ Source: SBA, Report on small and medium size enterprise in Slovakia from year 2012, Available on internet: Sparta o stave malého a stredného podnikania v SR

growth. Start-up stated that they are having difficulties with search for investors. This could be caused by the fact, that the company's business model had not been processed enough. Our assumption is based on the fact, that if the candidates for founding plan better and think more about the future development, the effect will be more precise estimation of the future²⁴. Furthermore, our hypothesis is also supported by the results of survey where start-up stated the insufficiently processed business model as one of the factors influencing the growth. If we go into further details, we could say that company may have quite good business model but for a large investment of 500 000EUR as they are looking for right now is insufficient. Half million is a lot of money therefore, investors will be looking at every weak side of the start-up, analysing whether they are capable of handling the finances, if the product has the potential and if the market will be interested. For example, Equity capital investments for the year 2015 have reached a volume of 0.02 percent of GDP in Slovakia, equivalent to an amount of almost 12 million euros.²⁵ To compare, S-Case is looking for a 4% of the overall money invested by investors in 2015 in Slovak Republic. There is a lot of pressure on this start-up as this step is very important in further development. As we analysed in the financial analysis, the time in which the start-up will find an investor is also determining in context of company's existence.

As mentioned during the description of the company, it does not have any employees yet and it is waiting to start the testing and prototype phase. The process of finding the right experts to develop a prototype, negotiating with people and hiring employees is so critical to succeed and if the founder lacks enough knowledge of the field, the start-up might fail due to human resource management issues.²⁶

²⁴ Source: BRINCKMANN, J.-GRICHNIK, D.- KAPSA, D. Should entrepreneurs plan or just storm the castle? A meta-analysis on contextual factors impacting the business planning–performance relationship in small firms. *Journal of Business Venturing*, 2010. ISSN: 0883-9026, 2010, 25(1), 24-40.

²⁵ Source: INVEST EUROPE. 2016. Central and Eastern European Private Equity Statistics 2015

²⁶ Source: SALAMZADEH, A. Innovation Accelerators: Emergence of Startup Companies in Iran. In 60th Annual ICSB World Conference June, 2015. UAE (pp. 6- 9). SALAMZADEH, A. New Venture Creation: Controversial Perspectives and Theories. *Economic Analysis*, 2015. 48(3/4).

Start-up stated that it is not experiencing problems with the product. This fact is very probably caused because it is waiting for the testing and prototype stage. In this stage most of the problems with the product, if any, will appear. Is a good sign that till now, there are no problems, but there is high probability that they will appear and when they do start-up have to be ready to take consequences and be prepared to repair any problems.

S-Case is innovative company and has potential on the market as it is developing technology- medical sector. The correct marketing strategy is crucial to company's profitability in the future. The term strategy is often incorrectly referred to as a synonym of the concepts of a plan or tactic. However, some authors simply explain the difference between these concepts. They argue that ' a key feature of the strategy is to provide a super value against normal action. They explain this in a simple example with Apple tree. The plan would be to plant a hundred apple trees. The strategy is to collect more apples, faster, more efficient and safer. How to specifically implement it should be a task tactic. " ²⁷

The following recommendations based on current activities were made for the future operations:

- Enterprise stated that its growth is influenced by wrong business model. Therefore, our first recommendation is to pay a lot of attention to business model as investors consider it as determining factor while deciding whether to invest into business or not.
- Start-up has problems with finance therefore, it should handle the financial resources with care and logic, not to spend all the money at the time just because they are available. Financial management is crucial to the existence of any company
- Before starting the business make a good market and customer research and be realistic, decide whether the customers will buy the product and if the competition is not more able. If so, ask the question how you can improve to be better? Start-up stated problems regarding to marketing. Possible cause is either bad customer research or bad marketing strategy. We would focus on the search for the suitable marketing strategy and apply it.
- Generally speaking, the fast growth is not everything- rather slower beginning could prevent from later imperfections of the product and its variants.

²⁷ ZIMMERMANN, Klaus. Roman strategy and aims in the Second Punic War. *A Companion to the Punic Wars*, 2011, 280-298.

- S-Case should focus more on foreign investments as The Slovak public capital market is one of the smallest capital markets within the EU, stagnating and failing in its core capacity to ensure the redistribution of free financial resources²⁸

Management is one of the key factors determining success of every company. According to the general definition (getting things done through the other people or coordinating the efforts of people toward common goals), management is about people (Hofstede, 1999). To the start-ups management we would recommend risk management orientation to prevent the enterprise from any potential risk. As prevention we recommend some techniques to help anticipate/identify potential risks and prevent or minimize their impacts. The company should focus on the main factor that is called forecasting. It is used to anticipate future developments based on rational assumptions. The results of the forecasts have a key impact on planning, strategic direction, and the actual risk management of the enterprise. This managerial step is for the future operations of the chosen start-up and it is recommended as a prevention from the problems regarding further production planning or strategic direction of the company. Later, it could help the company to prevent itself from loss of customers as now the company struggles with low number of customers.

All the partial aims that we set up were fulfilled as we analysed all the factors in the categories that we proposed. The results of the survey showed us that 9 out of 25 problems start-up experience in the beginning of its operations. So, to conclude, we analysed the problems that are slowing the growth of chosen Slovak start-up. Therefore, the goal of thesis had been met.

²⁸ Source: LOJSCHOVÁ, A. 2016. Capital Market in Slovakia

Conclusion

The aim of the research was to gather information from the chosen Slovak start-up about the problems that it encounter itself in during its growth stage but also analyse the overall problems that are limiting the growth of this kind of company. After survey evaluation we proposed list of recommendations for management of the company that could be useful in future operations and brief financial analysis of the company that was based on costs.

Slovakia as a small, open-minded economy that does not have the big natural wealth is and will, in particular, depend heavily on new technologies that change the nature of the economy. Start-ups are bringing something new, that should make our life easier. The primary issue for such a company is the raising of capital, which is the success of starting innovative projects.

Start-up that we have chosen for our analysis is in beginning of its operations. As we mentioned, the biggest problems that slow down the growth of the chosen start-up are related to financial area. The technological device that the start-up wants to bring on the market needs investment in order to start the testing phase. Therefore, for this start-up is important to find investor that will be willing to invest into their project. The problem with investor in this particular start-up is most probably depending on the fact, that the investment is very high and therefore, it is hard to find an investor that will invest so much money into small start-up. The enterprise must learn how to catch the interest of an investor for this amount of investment. In order to do so, it would have to be very persuasive while presenting their ideas. Even if the company gets the investment there are more factors that determine weather it will be successful. Start-up stated problems with marketing and therefore low number of customers. Marketing strategy is for company crucial and S-Case should focus on this particular factor and chose the right strategy suitable for the enterprise. This step could be beneficial for the company in the future.

For start-up is very important to know how to catch the interest of an investor. The good, detailed business model is one big step towards investment as the business model is an important aspect for investors. With the innovative forms of funding there are many opportunities for start-up to get money to persuade the idea that could mean a small revolution.

Resumé

Bakalárska práca sa zaoberá problémami ktoré obmedzujú rast vybraného Slovenského start-upu.

Start-up pre drvivú väčšinu ľudí predstavuje každú novovzniknutú firmu ktorá má zameranie v oblasti internetových technológií. V bakalárskej práci však poukazujeme na fakt, že start-up predstavuje novú, inovatívnu firmu ktorá má vysoký potenciál rýchleho rastu nakoľko prináša produkt alebo službu ktorá je nová a zároveň má potenciál byť žiadaná. Na Slovensku, Ministerstvo Financí prišlo s vlastnou definíciou, ktorá je už teraz súčasťou legislatívy pod zákonom číslo 290/2016 Z.Z na podporu malých a stredných podnikateľov. Podľa znenia tohto zákona, je start-up firma ktorá je založená na území Slovenskej Republiky a od jej založenia neubehlo viac ako 36 mesiacov. Zároveň dodáva, že ide o firmy založené za účelom vyvinutia inovatívneho produktu alebo služby a jej veľkosť sa radí medzi mikro, malé alebo stredné podniky.²⁹

Nakoľko informácie a štatistiky týkajúce sa faktorov negatívne ovplyvňujúcich rast start-upov neboli k dohľadaniu, rozhodli sme sa na spracovanie našej práce použiť informácie o zlyhaní start-upov keďže spomalený rast môže viesť ku zániku podniku.

Hlavným cieľom našej práce je analyzovať problémy ktoré negatívne ovplyvňujú rast vo vybranom Slovenskom start-upe. Na vypracovanie hlavného cieľa, sme si stanovili parciálne ciele ktoré sme rozdelili do 5 hlavných oblastí:

1. Finančné a podporné záležitosti

V tejto oblasti sme sa rozhodli preskúmať 4 nasledovné faktory:

- Vysoké náklady pri hľadaní nových zákazníkov
- Nedostatočná alebo žiadna podpora od štátu
- Málo financií
- Zložité hľadanie investorov

²⁹ Source: MF SR. 2015. Concept to support start-ups and development of the start-up ecosystem in the Slovak Republic

2. Manažérske a interné záležitosti

V tejto oblasti sme sa rozhodli preskúmať 8 nasledovných faktorov:

- Neskúsený/ nedostatočný manažment
- Nedostatočná organizácia v rámci start-upu
- Zložité hľadanie tímu
- Nezhoda so spoločníkom
- Nedostatočné skúsenosti s podnikaním
- Nízka znalosť zákazníka
- Nedostatočne premyslený/rozpracovaný podnikateľský model
- Nedostatočný marketing

3. Trhové záležitosti

V tejto oblasti sme sa rozhodli preskúmať 7 nasledujúcich faktorov:

- Nedostatočné vedomosti v sektore podnikanie
- Obmedzenie trhu
- Nedostatočný trh na území Slovenskej Republiky
- Nesprávne škálovanie
- Vysoká úroveň konkurencie
- Príliš veľa konkurencie
- Nízky počet zákazníkov

4. Produktové záležitosti

V tejto oblasti sme sa rozhodli preskúmať nasledovné 3 faktory:

- Zameranie sa na iný produkt než s ktorým ste začali
- Zložité hľadanie dodávateľov
- Problémy s produktom

5. Iné záležitosti

Táto oblasť predstavuje faktory s rôznym zameraním. Z týchto oblastí sme vybrali a rozhodli sa preskúmať nasledovné 3 faktory:

- Environmentálne faktory
- Politické/ekonomické/právne problémy
- Zložitá byrokracia

Na prácu sme oslovili Slovenský start-up s názvom S-case ktorý má sídlo v Bratislave v časti Devínska Nová Ves. Ide o firmu založenú v septembri 2019, ktorá je zatiaľ vo fáze kedy čaká na veľkú investíciu aby mohla začať s testovaním a prototypizáciou zariadenia. Ako sme naznačili, ich produkt je zariadenie a firma pracuje v technologicko-medicínskej oblasti. Produkt sa nazýva rovnako ako firma- S-Case a jeho funkcie sú zariadenie by malo uľahčiť prácu doktorom ktorý by mali

V práci sme prišli k nasledujúcim výsledkom. Vybraný start-up v najväčšej miere ovplyvňujú faktory z finančnej a podpornej oblasti. Konkrétne hovoríme o nasledujúcich kritériách: Zložitá hľadanie investorov, nedostatok financií a nedostatočná podpora od štátu. Ako pravdepodobnú príčinu prvých dvoch uvedených faktorov môžeme určiť nedostatočne premyslený alebo rozpracovaný podnikateľský model ktorý predstavuje jeden z najdôležitejších aspektov pri hľadaní investorov. Investor, ktorý nevidí dobre rozpracovaný podnikateľský model s najväčšou pravdepodobnosťou nebude riskovať investovanie svojich peňazí do tohto podniku. Našu hypotézu, podporuje aj fakt, že start-up uviedol faktor nedostatočne premyslený/rozpracovaný podnikateľský model ako faktor, ktorý ovplyvňuje jeho rast na približne 25%. Ďalší dôležitý faktor predstavuje aj nedostatočný marketing ktorý tiež môže súvisieť so zložitým hľadaním investorov. Z oblasti trhových záležitostí start-up označil faktory týkajúce sa konkurencie a nízke počtu zákazníkov. Druhý spomínaný faktor je veľmi pravdepodobne spôsobený práve faktorom z manažérskych a interných záležitostí- nedostatočného marketingu. Konkurencia je faktor, ktorý ovplyvňuje každý podnik. Vysoká úroveň konkurencie môže znamenať aj to, že konkurenčné start-upy majú finančnú výhodu a teda našli investorov ktorý im pomohli posunúť sa vpred. Keďže start-up neuviedol v oblasti produktu žiadne faktory, predpokladáme, že nakoľko čaká na testovaciu fázu, možné problémy sa ešte len môžu objaviť. Z poslednej oblasti start-up ohodnotil na 20% faktor zložitá byrokracia. Na Slovensku je táto téma pomerne častá a štát sa pomaly snaží ľudí, či už podnikateľov, SZČO alebo aj obyčajných ľudí odbremenit' od komplikovanej byrokracie.

Súčasťou práce je aj stručná finančná analýza, kde sme nakoľko start-up ešte negeneruje výnosy stručne analyzovali predpokladanú nákladovú analýzu za rok 2020 a 2021. Ak by mal start-up aj v praxi podobné náklady ako sme uviedli, vedel by bez investície prežiť do ďalšieho roka no tretí rok bez investície by znamenal veľké problémy, a teda buď by si start-up musel zobrať pôžičku alebo by s najväčšou pravdepodobnosťou zanikol. Ak by sa mu ale investíciu podarilo nájsť už tento rok a zároveň úspešne zaradiť produkt na trh, ziskovosť podniku spolu s vhodnou marketingovou stratégiou by sa seba nenechala dlho čakať.

Pre start-up sme vypracovali aj list odporúčaní a manažérskych krokov. Ako start-up uviedol, má problémy s finančnými prostriedkami a teda odporúčame aby svoje financie používal s opatrnosťou a s rozumom. Je veľmi dôležité dobre rozpracovať podnikateľský model, ktorý môže napomôcť ku nájdeniu investora. Ďalšie odporúčanie je ohľadom marketingu. Nakoľko start-up nemá dostatočný marketing, je dôležité si spraviť prieskum trhu a zákazníka a vytvoriť vhodnú marketingovú stratégiu aby dokázal zvýšiť počet zákazníkov. Tento krok sa môže hodiť pre budúce podnikanie.

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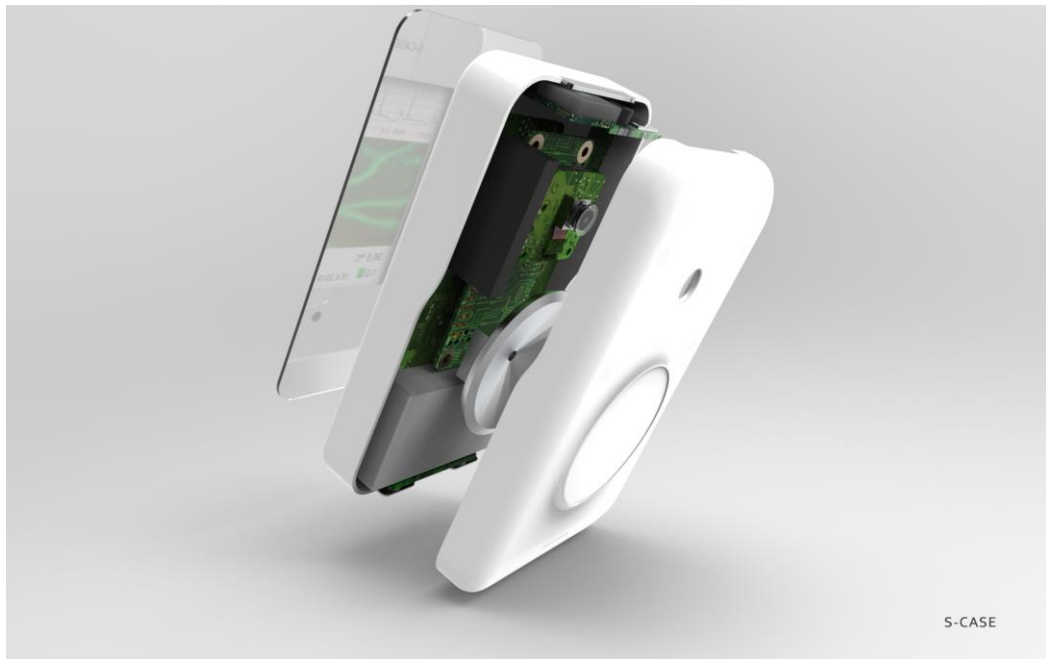
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Annexes

Picture 1: S-Case device



Source: Downloaded from Blesková prípadovka: S-Case, 2019. Available on internet: <https://zero2hero.sk/blekova-pripadovka-s-case/>

Survey

As mentioned before, as our reserach method within the strat-up we used survey. It contained the following questions:

3.2 State the name of the start-up

3.3 State the year of foundation of the enterprise

3.4 Evaluate the following factors on the scale from 0-100. 0=definitely no, 100= definitely yes. Evaluate according to the question: Is the following factor slowing down growth of your start-up?

1. High cost related to search of new customers
2. No/Insufficient support from state
3. Complicated search for investors
4. Lack of finance
5. Unexperienced/insufficient management
6. Insufficient organization inside start-up
7. Complicated search for team
8. Disagreement with the co-founder

9. Insufficient business experience
 10. Low customer knowledge
 11. Insufficiently processed business model
 12. Insufficient marketing
 13. Insufficient knowledge of the business sector
 14. Market limitation
 15. Insufficient market in Slovak Republic
 16. Wrong scaling
 17. High level of competition
 18. Too many competitors
 19. Low amount of customers
 20. Change of the focus of the product
 21. Complicated search for suppliers
 22. Problems with product
 23. Environmental factors
 24. Political/Economical and Legal problems
 25. Complicated bureaucracy
- 4 Are you planning to continue in operations next year?
Yes/no