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## RESEARCH ARTICLE

### START-UP TO SCALE-UP; CO PING WITH ORGANISATIONAL CHALLENGES IN A VOLATILE BUSINESS ENVIRONMENT

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#### ABSTRACT

Logical exploitation of technology and innovation management graduates a start-up venture to scale-up. This is through a process of stabilisation, permeating the trend obstacles and achieving their objectives. Environment has been shifting at a rapid pace ever since we have started involving with it, but due to the speedy nature caused by technology, it has become increasingly volatile. Changing business environment is a boon and volatility offers tremendous opportunity to innovate and hence emerges room for manoeuvre to entrepreneurs. At present the external environment is rapidly changing and becoming increasingly volatile. In fact, it creates uncertainties to probe the minds. Some view that changing environment represents significant threats for the SMEs. Organizations need to get human resources and adequate technology for survival and to flourish.

## INTRODUCTION

Whether it is a start-up or a scale-up organisation they continue living. A start-up venture graduates to scale-up. This is through a process of stabilisation, overcoming the trend obstacles and achieving their objectives. While working in an open environment a business has to interact with all forces of the natural world. It will be quite potent to envisage that it means all external elements involved have the prospective of engaging the organisation. Environment has been changing at a rapid pace ever since we have started involving with it, but due to the rapid nature caused by technology, it has become increasingly volatile. It is natural that an organisation for its survival has to adapt to the environment. Changing business environment is a blessing its volatility offers tremendous opportunity to innovate and hence emerges room for manoeuvre to entrepreneurs. It is under these contemplations that this paper proposes to analyse the subject coping with organisational challenges in a volatile business environment.

**Literature Review:** There are many challenges which a volatile business environment faces. Scholars state that: "for each organization, ten sectors can be analyzed.

These sectors can be all outside institutions or forces that have impact on organization's ability to reach its goal. Organization has to interact with the market sector, the industry, the government and the financial institutions. It also has to cope with the economic conditions. Organizations need to get human resources, and adequate technology. All of these components imply the external environment." (1). It has been adequately observed that lack of stability in banking system is a cause of concern. "Despite the ongoing economic recovery, the global financial system remains in a period of significant uncertainty. The banking system still faces complex situations. In mature credit markets worldwide, the total losses are very important. To keep themselves alive, the banks have to get additional capital. Thus, the environment is still risky." (2) Globalization, liberalisation and openness has transformed countries into a global village, which not only channelized substandard quality control in lesser developed countries but also endowed with world class technology for better production and quality control. "Markets, technologies, and organizations are becoming increasingly inter-connected moreover the digital workplace created by the advanced technology is a big challenge for the traditional model" (3). It is not only that the aggressive environment is faced with volatility, but also has other components like uncertainty, complexity, and ambiguity. VUCA is an acronym used to describe or to replicate on the volatility, uncertainty,

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complexity and ambiguity of general conditions and situations. The universal usage of the term "VUCA" began in the 1990s and derives from armed forces vocabulary. This philosophy has then gradually been an accepted business acronym. Thus it has formally embedded in emerging ideas in strategic leadership that apply in a wide range of organizations, from for-profit corporations to education (4). 'The capacity for VUCA leadership in strategic and operating terms depends on a well-developed approach for gauging the technical, social, political, market and economic realities of the environment in which people work. "(5) Now the recent concept added to VUCA is psychometrics. "Psychometrics which measure fluid intelligence by tracking information processing when faced with unfamiliar, dynamic and vague data can predict cognitive performance in VUCA environments" (6). Results from research conducted by Bodenhausen reveal that there are certain identities that are more dominant than others. (7) Start-up companies can come in all forms and sizes. Some of the critical tasks are to build a co-founder team to secure key skills, know-how, financial resources, and other elements to conduct research on the target market.(8) Typically, a start-up will begin by building a first minimum viable product (MVP), a prototype, to validate, assess and develop the new ideas or business concepts. In addition, start-ups founders do research to deepen their understanding of the ideas, technologies or business concepts and their commercial potential. (9)

A scale-up can be identified as being in the "growth phase" life-cycle in the Millers and Friesen (1984) life cycle theorem, or the "Direction phase" in the Greiner growth curve.(10) The importance of scale-ups and the rise of their terminology can be found in the study of the World Economic Forum.(11) To aid this rise, instead of large start-up incubators policy makers are more and more focusing on scale-ups since they are the ones that add value.(12) Endeavor published a study reporting that scale-ups create most of Southeast Asia's new jobs. Endeavor founder/CEO Linda Rottenberg published the scale-up petition to further elevate the movement around scale-ups. Endeavor's research arm continues to focus on providing more insight into scale-ups. (13) In performance management as identified by Kaplan and Norton there are four significant courses of action which needs attention. These are; clarify and translate the vision and strategy, communicate and link the strategic objectives and measures, plan and set targets, and align strategic initiatives, enhance strategic feedback and learning. (14) Even though there are adequate number of research papers on problems faced by entrepreneurs as well as established business people in volatile business environment, suggestive mechanism or recommended procedure to confront them are rare to find.

**Statement of the problem:** Coping strategies for meeting the challenges in volatile business environment.

**Methodology:** Conceptual

**Analysis and findings:** It is certain that elements which work in the external environment and have impact on the volatility of business are dynamic. Analysis carried out in the industrial sector indicates certain key elements. They are; Human resources, Technology, Market, Industry, Birth Growth Shakeout Maturity Decline, Government, Financial and Economic conditions. Human resource is a competitive edge for the challenges in the present business environment and its impact will be far greater in the future environment.

The ability of a firm to recruit, train and maintain a competent and stable human capital is vital. Rapidity of change in technology and needs of the environment embark upon the necessity for educational institutions to dovetail the curriculum keeping in mind future human skill requirement. Age old syllabus and stereotype method of instructions result in lack lustre human skills and organisations face the wrath of such an inadequacy. Technological inadequacy can be a phenomenal setback for any business. One of the causes for volatile business environment is rapidity with which technology changes and ability for business firms to adapt to changing technology. Technological advancement has made world smaller, smarter and competitive. It has been a customer driven market since the beginning of industrial revolution. Now added to that is the paradigm that we have well informed customers. Hence product should not only be customer specific but tailored to suit individual requirement. Modern industry compared to those of yester years have a life cycle which is dynamic wherein it has a stage of inception, growth, severance, maturity and decline. Even though all are considered to be important it is the shakeout stage which identifies its path from a start-up to scale-up. Policies of Government are a major consideration. Countries with less political stability has high volatile business environment.

This decade like some in the past is synonymous with economic crisis. Whether it is artificial, spiral or conclusive it has a major impact on the business environment. Despite the ongoing economic recovery, the global financial system remains in a period of significant uncertainty. To keep themselves alive, the banks have to get additional capital. Thus, the environment is still risky."(15) The multifaceted allusion of each element of VUCA functions to boost the premeditated importance of VUCA foresight and insight as well as the behaviour of groups and individuals in organizations. It discusses general failures and behavioural failures, which are characteristic of organisational failure. They gift boundaries for planning and policy management.

They come together in ways that either bewilder decisions or sharpen the capacity to look ahead, plan in advance and move forward. Volatility refers to situational characteristics and social categorisation owing to specific traits. Thus we find that a categorised person will react differently to individual situations due to social or environmental factors, which are normally termed as behaviour volatility. Complexity of an individual's background does come up in situations and creates complicatedness in real world. Research on cross-categorization discloses that different types of categories can be activated in the mind of the social perceiver, which causes both positive and negative consequences. Uncertainty often occurs in volatile environments that are complex in structure linking unanticipated interactions that are momentous in uncertainty. This suffers in a business environment and always treated as a grey area leading into an uncertain external environment. Further on we have lack of clarity notwithstanding availability of large amount of information normally positioned as ambiguity. Ambiguity leads to people pretentious of an answer, and many times this leads assuming ones race, gender, and can even lead to class stereotypes. Start-ups have high rates of failure, but the minority of successes include companies that have become large and influential. A start-up begins with evolution of a prototype or a minimum viable product. It then develops successful model and succeeds in attracting investors.

Companies may also fail and cease to operate altogether, an outcome that is very likely for start-ups, given that they are developing disruptive innovations which may not function as expected and for which there may not be market demand, even when the product or service is finally developed. Start-ups operate in high-risk sectors, it can also be hard to attract investors to support the product/service development or attract buyers. Transition of a Start-up to Scale up goes through three major stages, they are Formation which involves mission, vision and strategy, Validation and Growth. This can also be staged as Ideating, Conception, Committing, Validating, Scaling and Establishing. Attractive start-ups generally have lower "bootstrapping" (self-funding of start-ups by the founders) costs, higher risk, and higher potential return on investment. Successful start-ups are typically more scalable than an established business, in the sense that the start-up has the potential to grow rapidly with a limited investment of capital, labour or land. It is true that partnership with other firms is the key to the survival and validation. During their research in 2013 Kask and Linton developed two ideal profiles, or also known as configurations or archetypes, for start-ups that are commercializing inventions.

They are inheritor profile calls for a management style that is not too entrepreneurial (more conservative) and the originator profile which calls for a management style that is highly entrepreneurial and in which a radical invention or a totally new standard is being developed. This profile is set out to be more successful in a market that does not have a dominant design. As opportunism and imitation are identified as driving force of cross-border expansion rigorous analysis of international strategies is a requirement." The sources of value creation from internationalisation in financial services, but also reveals the internal diversity of the financial services sector with regard to product and national market differences."(17) Given these challenges, financial services firms ought to avoid the overconfidence that has characterised their belligerent international expansion of topical years, and take on cross-border strategies that are sequential, experimental and adaptive. "In rapid growth, the volatility is created inside the company; in a volatile market environment, the uncertainty comes from outside."(19) Factually in an uncertain environment managers have to be unconventional.

### Recommendations/Way ahead

In a business environment big or small vision for the future or perspective planning is very important. It is true that many CEO's find themselves impervious to financial intricacies which may not match well in current business scenario with a host of challenges hence developing good KPIs is important and essential. As technologies change practically at the speed of light, it's vital for companies to innovate or be left behind, keeping safe and extracting insights from the ever-increasing amounts of data your company produces needs to be in the hands of a qualified professional who can help you get the most return from that data. Present scenario is a dynamic world of on the spot indulgence, and it is natural that customers feel in a similar fashion. It is just by the click of a mouse that a poor customer service can spread like a wild fire to damage the reputation of a firm taking to the web to share their displeasure at less than satisfactory service just as quickly. Preparing for and embracing that change by investing in the right kind of advance is the best way to meet these challenges head on.

### Conclusion

In current scenario, accomplishment has become a transient achievement which can be taken away by competitors any time. It has rather become a deep-seated requisite for companies to continuously innovate and go forward according to the ever-changing moods of the customers for their survival and growth. If they fail, unfortunately, there will be no tomorrow for them. We know that as we progress challenges become impervious. Therefore it is thrust upon us to challenge and continuously get to better way for running business. Ideation is not the only essential element, but it is actually "bringing it to market", putting into practice and exploiting it in a manner that leads to new products, services or systems that add value or improve quality. Such an activity involves technological transformation and management restructuring.

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