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Navigating Success for Startups in Twenty First Century Market Realities

A startup that does not understand its ecosystem players and their impact could well be caught on the wrong foot by making crucial business decisions with incomplete information.



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 by Rajneesh Chowdhury

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The environment that a startup today operates in is dynamic and intertwined with various dimensions - social, economic and political - resulting in a complex web of realities. Understanding the environment leads us to appreciate market realities. Appreciation of market realities leads us to arrive at insights to navigate through it better. In the social environment, startups need to understand stakeholder behavior, demographic and psychographic. Similarly in the economic environment, macroeconomic and microeconomic factors and market externalities need to be appreciated. Finally, in the political environment, sectoral policy, startup business support and government schemes need to be understood and leveraged for success of the organization.

A startup that does not understand its ecosystem players and their impact could well be caught on the wrong foot by making crucial business decisions with incomplete information. The marketplace is rapidly becoming a global one, which means the geopolitical landscape that a company has to keep tabs on has expanded exponentially. A marketplace with fading borders means that local economies are susceptible to the butterfly effect where relatively small events in one area can result in large effects in faraway places; political or financial events in other countries or regions could result in disturbances to the local ecosystem that may not be immediately obvious but could affect the startup in unanticipated ways.

For instance, whilst there was a phase of propaganda against Chinese goods during the festive Diwali season of 2016, it cannot be ignored that some of the biggest startups in India are funded by Chinese funds. Didi Chuxing, the company that bested Uber in China, has invested in Indian cab service company Ola and Chinese internet giant Tencent has invested heavily in the Indian messenger app Hike as well as healthcare company Practo. Indian companies have been acquired by Chinese companies as well. This is an example where we see the social, economic and political environments inextricably interlinked.

The market realities we exist in today are constantly evolving and are becoming increasingly unpredictable. In such an environment, it is important for organizations to be agile and resilient in how they respond and react to their external environments.

As we navigate through these dynamic market realities, what has stayed constant over the last multiple decades is the importance of a company to create and sustain a reputation that fosters a positive relationship with all its stakeholders. Embracing a holistic approach to public relations encompassing aspects to touch stakeholders beyond pure media vehicle is most important.

Startups, especially as they incubate, tend to narrow-focus on building their product or service, but it is important to stay aware of their ecosystem and market dynamics that affect them. They may mistakenly assume that public relations building and stakeholder engagement can come later "when they are successful". There have been examples of startups that had an exciting initial trajectory but were soon derailed because they did not understand the importance of reputation in their stakeholders' view; one startup had its in-fighting made public in an ugly manner and another had to deal with a founder being accused of insider trading. The last two years have also seen a tepid momentum in the startup ecosystem in the country with mounting losses for some of the largest e-commerce players due to overspending on marketing, advertising and discounting. At the close of the year-2016, The Financial Express reported e-commerce companies in India like Amazon, Flipkart and Paytm contributing for 70% of the total loss of INR 10,670 crore that the industry has been hit with. This has led to decreased investor and analyst confidence leading to the long term damage of several known companies in their expansion and stabilization phases. The important takeaway is the focus that needs to be directed to get the fundamentals of sustainable business in place before over-focusing on external branding and communication; hence the need to work diligently on building long-term reputation rather than a short-term image.

While these companies may eventually recover from the hits they took, an awareness of the importance of public relations and strategic communications, pillared on firming their reputation, would have helped avoid or at least mitigate the negativity.

The success startups seek is hinged on this very relationship with the stakeholders — including investors, prospective employees, communities, agencies, analysts and customers — which in turn builds goodwill with the public.

Only a robust stakeholder engagement strategy can support startups navigate towards building successful institutions in the twenty first century market realities.

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