



## Extended Abstract

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## **Structural Model of Factors Affecting Survival and Growth of Startups in Iran**

### **Introduction**

In the new global economy, startups are key players in economic development because they serve as drives to create jobs (Sedláček & Sterk, 2017) and promote economic growth at the regional, national and industrial levels (Kane, 2010). The results of research studies show that the failure rate of startups is very high, and in some industries, it reaches 90% (Arora et al., 2018; Krishna et al., 2016). Although there seems to be a general consensus on the importance of startups in economic growth, there is no consensus on the factors that contribute to the success or failure of these companies. Failures of startups have drawn massive attention, and many researchers are now working on designing various kinds of prediction models to successfully predict the fate of a new company. This study first addresses a set of factors from the literature affecting the survival and growth of startups and, then sets out to find an answer to question of whether a suitable model can be presented for the survival and growth of startups in Iran.

### **Objective**

The aim of this study is to investigate the structural model of factors affecting the survival and growth of startups in Iran. The following research hypotheses are stated:

H1: Financial resources affect the survival and growth of startups.

H2: Market knowledge affects the survival and growth of startups.

H3: Taking advantage of market opportunities affects the survival and growth of startups.

H4: Understanding customer tastes affects the survival and growth of startups.

H5: Business intelligence affects the survival and growth of startups.

- H6: Innovation affects the survival and growth of startups.  
H7: Investing in research and development affects the survival and growth of startups.  
H8: Marketing capabilities affect the survival and growth of startups.  
H9: Technological capabilities affect the survival and growth of startups.  
H10: Network capabilities affect the survival and growth of startups.

## **Data/Methodology**

This study is an applied research in terms of purpose and a descriptive survey in terms of research method. The population of the study consists of 370 CEOs and board members of the startups in Tehran. According to the Ministry of Cooperatives, Labor and Social Welfare, the number of these startups is 129. Based on Cochran's formula, 189 managers of these companies were selected as a sample. The reliability was examined using the Cronbach's alpha, and the combined reliability index was confirmed. Face validity, content validity and construct validity were used to evaluate the validity of the questionnaire. For data analysis purposes, the structural Equation Modeling was used using SPSS and SMARTPLS software programs.

## **Results/Findings**

Three criteria were used to evaluate the reliability of the structures: 1. Reliability of each item, 2. Composite reliability of each structure, and 3. Average variance extracted (AVE). The results showed sufficient and appropriate reliability of the structures. Also, the study of the divergent validity of the structures indicated that all the questions had significant loads on the structure.

To predict the survival and growth of the startups, the proposed conceptual model was examined through the Structural Equation Modeling, and the Partial Least Squares method was used to estimate the model. The results showed significant effects of financial resources, use of market opportunities, understanding customer tastes, business intelligence, innovation, investment in research and development, marketing capabilities and technological capabilities on the survival and growth of startups; however, the impact of market knowledge and networking capability was not significant. The results also demonstrated that 63% of the performance variance of the startups could be explained by the research model.

## **Implications**

In order to promote the survival and growth of startups, entrepreneurs and startup owners are recommended to

- Identify sources of funding.
- Develop a strategic plan in order to identify environmental opportunities and threats, and adopt practical solutions to take advantage of existing opportunities.
- Identify customers' tastes, through market research in the initial stages, and through the launch of a CRM system in the later stages.
- Use appropriate information systems.
- Generate idea and innovation by creating working groups in the formal structure and encouraging employees.
- Allocate a percentage of annual profits to R&D.
- Utilize information systems and information technology as a technological capability for stability and growth.

**Keywords:** *Survival and growth of startups, business intelligence, marketing capabilities, technological capabilities*

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