A REVIEW OF BUSINESS DEVELOPMENT METHODS IN ENTREPRENEURSHIP

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ABSTRACT

This research aims to analyze the types of startup business development methods and their relations to entrepreneurship. The research was conducted using exploratory research, which focuses on various types of startup business methods within the scope of entrepreneurship and describes them qualitatively. According to the analysis findings, several business startup development methods are relevant to today's business developments, including lean startup, lean canvas, design thinking, and agile. One of the four approaches, lean startup, is widely employed in establishing new enterprises. Lean startup is a business model in which the client serves as a trial object for the product being created in order to collect immediate feedback and make modifications depending on the demands of the consumer. In conclusion, entrepreneurship facilitated the presence of startup businesses by prioritizing meeting customer needs in accordance with the methods used to maximize business profits.

Keywords: entrepreneurship; startup business; startup company

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INTRODUCTION

A startup business is an organization in its initial operational stages, typically offering unique products or services and working towards establishing a sustainable revenue model. The act of starting a startup is frequently regarded as the onset of entrepreneurship, as entrepreneurs assume the risk and responsibility

of initiating and managing a business. According to Blank and Euchner (2018), startups can be classified into six main types based on their motives: lifestyle startups, small business startups, scalable startups, buyable startups, large company startups, and social startups (Blank & Euchner, 2018). Lifestyle startups capitalize on the founder's way of life as a commercial opportunity, while small business startups involve individuals working for themselves, such as freelancers. Scalable startups are characterized by their dominant market position, while buyable startups entice larger corporations to acquire them, especially in the online or app development sectors. Large company startups introduce new product lines within existing businesses, and social startups, whether for-profit or non-profit, aim to create positive change in the world at any scale.

To ensure the successful development of a startup company, it is crucial to establish a suitable strategy. There are at least four methods commonly employed for company development: lean startup, lean canvas, design thinking, and agile (Silva et al., 2020; Bocken & Snihur, 2020; Sarooghi et al., 2019). Research has explored the influence of angel groups and venture capital funds on digital startups and scale-ups, revealing potential differential impacts (Cavallo et al., 2019). Another study proposed a new definition of startups, contributing to the evolving understanding of the concept (Skala, 2019). Additionally, research focused on the influence of the lean startup methodology on the entrepreneur-coach relationship, identifying conflicts regarding coach authority and data validity collected through customer interactions that impacted the adoption and adherence to lean startup instructions (Mansoori et al., 2019). Distinguishing itself from previous studies, this paper offers a holistic perspective on how startup methodologies intersect with entrepreneurship.

Given the background, this research aims to analyze the various types of startup business development methods and their relationship to entrepreneurship. Employing an exploratory research approach, we provide qualitative descriptions of different startup business methods within the domain of entrepreneurship. It is our hope that this paper will serve as a valuable reference for future research endeavors.

LITERATURE REVIEW

Startup Business

Startup businesses play a vital role in driving innovation, economic growth, and job creation, making them a crucial subject of research for scholars and practitioners alike (Guo et al., 2022). The success of startups can be hindered by various challenges, including limited access to capital, regulatory barriers, intense competition, and a lack of expertise. To overcome these hurdles, startup founders can employ several strategies, such as developing a compelling value proposition, building a strong team, forging strategic partnerships, and embracing continuous learning and adaptation.

Empirical studies have delved into different aspects of startup businesses, exploring the impact of entrepreneurship education, the role of accelerators and incubators, the significance of effective business models, and the influence of funding sources on startup performance. For instance, research by Olugbola demonstrated that entrepreneurship education enhances startup success by enhancing knowledge and skills (Olugbola, 2017). Additionally, a study conducted by Vissa revealed that accelerators provide startups with valuable resources and networks (Vissa, 2012).

Overall, the existing literature emphasizes the importance of comprehending the factors that contribute to startup success, the challenges they face, and the strategies that can be implemented to overcome these obstacles. This knowledge can guide scholars and practitioners in formulating effective policies, programs, and practices that support startup businesses, foster innovation, and drive economic growth.

By further exploring these areas, we can continue to advance our understanding of startup ecosystems and contribute to the development of impactful initiatives that nurture and empower startup ventures.

Entrepreneurship in Startup

Entrepreneurship plays a critical role in the success of startup businesses, as it involves recognizing and capitalizing on new business opportunities. Successful entrepreneurship in startups leads to innovation, growth, and economic development. Therefore, understanding the factors that contribute to entrepreneurship in startups is a crucial area of

research for both scholars and practitioners (Baron & Harima, 2019). Several challenges can impede entrepreneurship in startups, including limited access to resources, regulatory barriers, competition, and a lack of experience. To overcome these challenges, startup founders can employ various strategies, such as developing a strong entrepreneurial mindset, building a strong team, leveraging networks and partnerships, and engaging in continuous learning and adaptation (Lee et al., 2019; Soegoto et al., 2022).

Empirical studies have explored different aspects of entrepreneurship in startups, including the role of founder characteristics, the impact of incubators and accelerators, and the significance of innovation and creativity. For example, research by Anggraini demonstrated that founder experience and industry knowledge are significant predictors of entrepreneurship in startups (Anggraini & Persada, 2021). Another study found that incubators can provide startups with valuable resources and networks (Febrianti & Herbert, 2022; Soegoto et al., 2022). Overall, the literature on entrepreneurship in startups highlights the importance of understanding the factors that contribute to entrepreneurship, the challenges that startups face, and the strategies that can be employed to overcome these challenges. Scholars and practitioners can utilize this knowledge to develop effective policies, programs, and practices that support entrepreneurship in startups and promote innovation and economic growth.

METHODOLOGY

To provide more detailed results, this study employed the literature study method with descriptive analysis. The study focused on four startup development methods: lean startup, lean canvas, design thinking, and agile. These four methods were evaluated based on the size and stage of startup development. Literature reviews, on the other hand, are vital sources of information for all types of research. A well-conducted literature review can generate new concepts and directions for a given field while serving as a primary source for knowledge development (Snyder, 2019). It provides guidance for practice and policy, demonstrates impact, and serves as a foundation for new ideas (Paul & Criado, 2020).

RESULTS AND DISCUSSION

Lean Startup

The lean startup approach is one of several methods used for starting a new business. This methodology involves subjecting a prototype to consumer testing, enabling companies to gather feedback from consumers regarding a product under development (Harms & Schwery, 2020). By collecting extensive customer feedback, companies can enhance their business operations and align them with consumer preferences. This approach enables companies to identify which products are worth pursuing and which are not (Silva et al., 2020). The Lean Startup method encompasses three crucial steps: build, measure, and learn (Freitag et al., 2017).

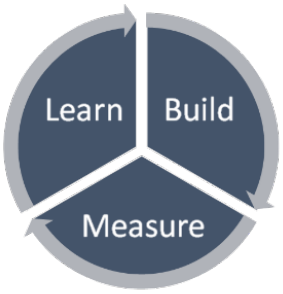

Figure 1: Lean Startup.
Source: (Freitag et al., 2017).

Build

The build phase serves as the initial component or stage in the Lean Startup method. During this phase, the company creates and develops simple products. Prior to product development, it is essential for the company to have an idea for a product that addresses the needs of its customers. The company then proceeds to create basic versions of the products, which are directly tested in the market to gauge the target audience's perception of the product. Through this process, the company gains insights into whether the product is desired by potential customers. As a result, customers gain a clear understanding of the product when the final version is launched on the market. Moreover, if the product effectively fulfills the customer's needs, they have the opportunity to make a purchase.

Measure

The measure phase involves gathering feedback from potential customers who have tested the simple products. This feedback is invaluable in refining the product to meet customer needs. If the customer feedback is negative, it is advisable to promptly make a decision to either stop or modify the product manufacturing process. When the response from the target market is unfavorable, it is advisable to explore the development of an alternative product. This step can save resources by avoiding investments in products that do not resonate with the market.

Learn

The data collected during the measure phase is further analyzed during the learn stage. This stage involves drawing conclusions from the measurement process and determining the subsequent steps for the company. The results obtained in this learn phase serve as the foundation for making company decisions, such as whether the product requires improvement, whether product development should continue, or whether the development should be discontinued in favor of exploring other product ideas.

A notable example of a startup that has successfully utilized the lean startup method is Dropbox, a widely recognized file transfer service business (Azhari, 2019). Dropbox's approach to launching its service is intriguing. The company initially released a simple demo video showcasing the concept of file sharing with Dropbox. This video garnered significant attention, leading to 75,000 volunteers expressing interest in testing the Dropbox Minimum Viable Product (MVP). The Dropbox team then analyzed the feedback received, identified consumer needs, and developed products accordingly. Over time, Dropbox has steadily grown to become the most popular file transfer service, with over 14 million users.

Lean Canvas

The lean startup approach provides guidance on establishing a company or introducing a new product or service with limited capital (Chengbin et al., 2022). The focus is not on extensive planning but rather on a "learning by doing" approach, which involves testing simple prototypes of products or services and obtaining customer feedback (Dobrigkeit et al., 2019).

Lean Canvas and Business Model Canvas (BMC) serve different purposes. Lean Canvas emphasizes the creation of new businesses and radical innovation, while BMC focuses on innovation within existing companies. BMC has become an integral part of business model innovation and is particularly helpful for existing companies seeking to innovate within their current business models. Visually, Lean Canvas and BMC share the same structure with five identical building blocks, facilitating a seamless transition between the two (Link, 2016).

Alexander Osterwalder, known for his work on business models, developed and introduced the Business Model Canvas as a strategic management tool for businesses. It is a concise single-page document with named blocks. The Lean Canvas model, based on the Business Model Canvas, has gained significant popularity in startup companies (see Figure 2). The lean canvas lifecycle begins with an idea, followed by the necessary steps to build the product and the subsequent measurement of various metrics once the product is ready (see Figure 2). The data collected through this process provides valuable insights for lean planning and enables the validation of business ideas (Link, 2016).

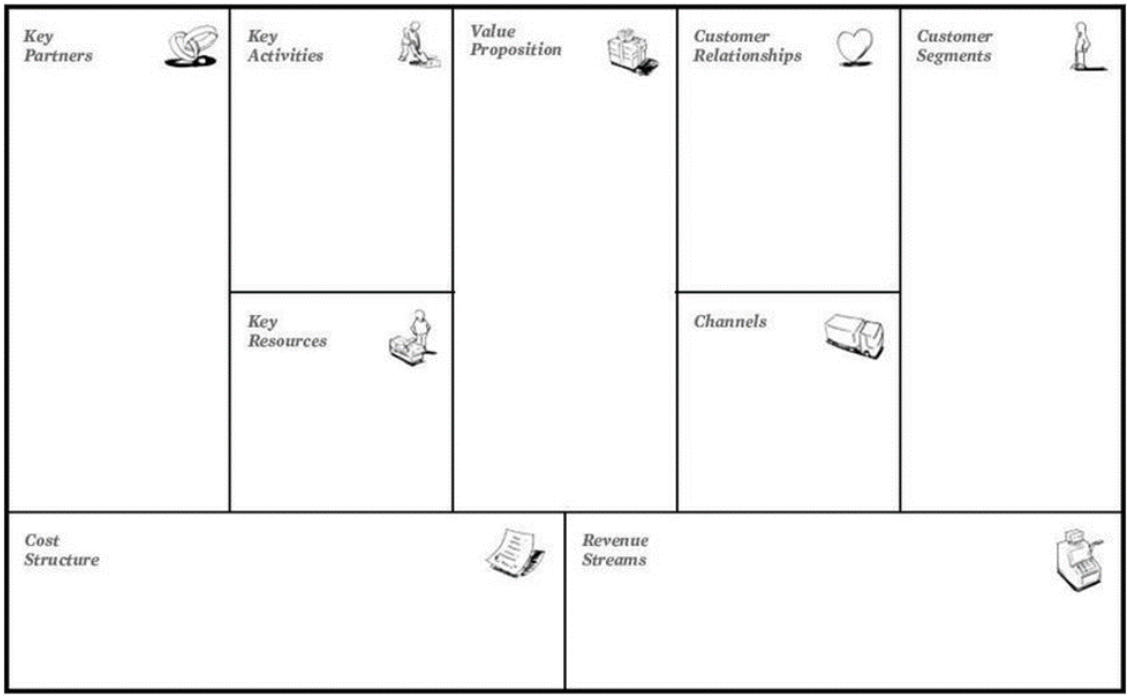

Figure 2: Lean Canvas Business Model
Source: (Dymitrowski & Mielcarek, (2021).

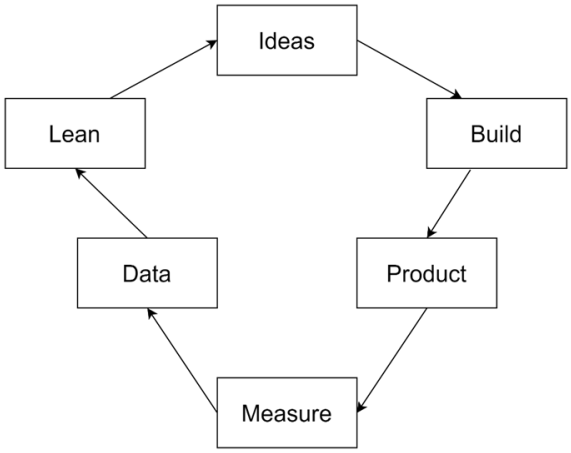

Figure 3: Lean Canvas Life Cycle
Source: (Dymitrowski & Mielcarek, (2021)

The basic principle used to identify the risky aspects of your plan are as follows:

1. Creating a document for your plan.
2. Identifying wasteful processes or components of your plan.
3. Implementing repetitive test cycles for your plan.

These three sub-stages contribute to the identification of risks. In the first stage, risks are identified by assessing problems and finding suitable solutions. In the second stage, risks are identified by evaluating the fit between the product and the market. In the third stage, risks related to scaling the plan are identified.

Design Thinking

Design thinking is a process used for creative problem-solving, aiming to understand users and redefine problems in order to develop innovative solutions (Retna, 2016; Hentiksen et al., 2017). While rooted in the design field, design thinking can be applied to various problem-solving situations. The process begins by gaining an understanding of users and their needs. Next, the problem is redefined from the user's perspective. This fresh understanding of the problem enables the generation of creative solutions. These solutions are then implemented and tested to assess their effectiveness (Roberts et al., 2016).

The key to successful design thinking lies in prioritizing users and their needs. By truly comprehending the user's viewpoint, it becomes possible to generate innovative solutions that surpass existing alternatives in meeting user requirements (Brenner et al., 2016).

The design thinking process consists of five stages: empathize, define, ideate, prototype, and test (refer to Figure 4).

Figure 4: Design Thinking Process.
Source: (Roberts et al., 2016).

In the first step, it is crucial to understand the users' needs by observing and engaging in conversations with them. This step is commonly referred to as user research. The second step involves defining the problem that the design thinking process aims to address. Subsequently, in the third step, ideas for potential solutions are generated, often through brainstorming sessions. The fourth step entails creating a prototype of the proposed solution. A prototype serves as an initial or scaled-down version of the concept, allowing for quick and easy modifications using inexpensive materials. Finally, the prototype is tested with users to determine if it effectively resolves their problem.

Design thinking is a valuable approach for fostering creativity in various domains, whether in designing products, services, or experiences (Brenner et al., 2016).

The design thinking method can be applied in various fields, including the development of startup ideas that are responsive to emerging trends. The design thinking approach is well-suited for this purpose as it encompasses both subjective and objective perspectives in decision-making. Research conducted by Li et al. (2019) utilized design thinking to develop a startup focused on providing wedding services. This method was chosen due to its emphasis on gaining a deep understanding of potential users through direct observation, enabling the identification of their needs and desires. The steps involved in design thinking were found to be highly effective in generating suitable solutions (Li et al., 2019).

Agile

Agile is a software development methodology that follows an iterative and incremental approach, emphasizing short iterations, adaptability to change, and continuous delivery of value (Abrahamsson et al., 2017). This approach originated from the Manifesto for Agile Software Development, which was published in 2001. The Manifesto highlights four core values: valuing individuals and interactions over processes and tools, working software over comprehensive documentation, customer collaboration over contract negotiation, and responding to change over following a plan (Huang, 2016). Over time, the agile approach has been widely adopted across various industries beyond software development, including product management, marketing, and human resources (Ciric et al., 2018). Its effectiveness in rapidly and efficiently producing functional software has made it one of the most popular software development approaches today (Žužek et al., 2020). The agile model typically consists of four main stages: pre-planning, initial development, ongoing development, and release or launch (refer to Figure 5) (Waja et al., 2021).

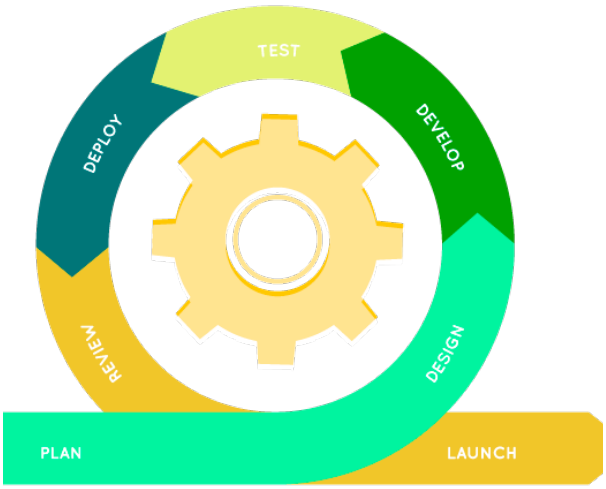

Figure 5: Agile Development Model
Source: (Waja et al., 2021).

Pre-planning serves as the initial stage in the agile model, where the project vision is established and goals are set. The team then determines the most effective approach to achieve these goals. The second stage is the initial development phase, wherein a software prototype is created. The third stage, continuing development, involves adding new features and functionality to the software. Finally, the fourth stage is the release, in which the software is made available to users. The agile development model follows an iterative process that can be customized to suit the requirements of any project. Its flexibility allows for adjustments to be made throughout the development process, making it well-suited for complex projects or tight deadlines.

One of the primary advantages of the agile process model is its capability to handle change. Due to its flexible and iterative nature, the methodology can readily adapt to changes in scope or requirements (Thesing et al., 2021).

CONCLUSION

Digital entrepreneurship, also referred to as technopreneurship, is thriving alongside the rapid expansion of digital infrastructure. Startups are among the promising businesses that have a global market presence and aim to cater to customer needs. With each of its criteria, startup businesses employ various methods, and four prominent ones are lean startup, lean canvas, design thinking, and agile. Among these methods, Lean Startup stands out with its efficient stages that involve direct market testing with customers, enabling prompt improvements based on direct customer feedback.

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