

Chapter 16

Steering Start-Ups’ Organizational Behavior Through Development of Project Management Practices

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ABSTRACT

Start-ups are only in the initial life cycle phases, which exposes them to many specific challenges and increases threats of business cessation. Because of their youth, they do not yet have formal organizational structures and operating rules. This also applies to the area of project management. In this chapter, the authors deal with the success of start-ups’ projects and the characteristics of their project management culture. Although the success of projects and project management culture is relatively often discussed in the literature, it is generally done in the context of large companies, not start-ups. The research has shown that projects represent a large part of the start-ups’ businesses, and that there is a significant high awareness of the importance of project preparation and the definition of objectives, as well as a caution in defining the roles and organization. In these companies we can notice quite a coherence with the principles of learning organizations, especially the importance of learning from experiences and transferring knowledge among the participants in the project.

INTRODUCTION

Start-ups are companies that operate in extremely precarious conditions (Ries, 2010) and are dedicated to finding a repeatable and fast-growing business model (Blank, 2010). They represent an important part of the economy, since they make a significant contribution to the development of national economies

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in terms of economic growth, innovation (Carree and Thurik, 2010) and jobs (Kane, 2010). Research, on the other hand, shows that the durability of such enterprises is relatively small. Thus, more than 50% of start-ups cease to operate within 5 years (Statistic brain, 2017). There are several reasons for their failure. Although the most common reason for failure is the non-conformity of the products and services, developed and built by start-ups, with the needs of customers, there are many other reasons related to the implementation of processes. Among the latter, for example, we can mention a poorly developed new product, loss of competitive advantage and the use of all financial assets (CB Insights, 2014).

According to previous research between small and medium-sized enterprises (hereinafter referred to as SMEs), up to 2 years old, 58% of funds are allocated to projects in these companies (Turner, Ledwith and Kelly, 2012). Since the majority of start-ups (at least at the beginning of their life cycle) fall into the category of SMEs, we can conclude on the importance of projects and consequently on the importance of project management in the start-ups.

The size and age of start-ups determine the management characteristics of these companies, characterized by a low degree of specialization and standardization, as well as the simplicity of the processes and systems of planning and management of the company (Turner, Ledwith and Kelly, 2012). Quite the opposite it is true for large companies, which in the past have mostly developed and used the concepts of project management (Turner, Ledwith and Kelly, 2010).

The purpose of the research under this chapter is therefore to analyze the applicability of project management concepts and the role of projects in start-up companies and the possible need to adapt the standard concepts of project management to this type of companies. According to the importance of projects and the importance of successful implementation of projects in order to maintain the competitiveness and long-term sustainability of larger companies, the foreseen findings of the research have great potential for the success and prolongation of the life of start-up companies and to reduce mortality between them.

START-UP'S AND THEIR CHARACTERISTICS

Defining the Start-Up Company

There is no uniform definition of the term or the concept of start-up in the literature. At the same time, terms such as startup companies, young companies and similar (ZRC SAZU, 2012), appear to be synonymous with start-up term, which in practice can sometimes create quite some confusion.

Graham (2012) sees start-ups as companies that have great potential for growth. Blank (2010) addresses them from the point of view of the business model they are pursuing - thus defining them as organizations that are looking for a repetitive and growing business model. Ries (2010) defines them as human organizations designed to create products or services in the face of extreme uncertainty.

In the following text, we will understand a start-up company as any new and innovative company or a business with a potential for growth in global markets (Močnik and Rus, 2016).

The characteristics of start-up companies are to a large extent consistent with the characteristics of entrepreneurship. Wennekers and Thurik (1999) define entrepreneurship as the manifested ability and willingness of the individual to perceive, alone or in cooperation with the group and within or outside the existing organizations, economic opportunities (new products, production methods, organizational schemes and product-market combinations), to make a bold decision under conditions of uncertainty and other barriers and to form and use funds and institutions to create and present their new ideas to the market.

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