

## Chapter 5

# Competences of Startups as Entities Operating in Network Structures

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### **ABSTRACT**

*The chapter indicates the most important changes in the organizations caused by technological progress. The development of the network business model, according to which both very large and very small organizations are starting to function, have been emphasized. The main attention has been focused on startup entities due to their specific character and more and more dynamic development. Firstly, the issues well recognized in science, enabling the creation of a picture of both startups and their ecosystems, have been presented. Then the considerations have been narrowed down to the issue of the startup competences. The basic/key startup competences in organizational and individual dimension, which are the contribution to the startup market success, have been defined. It was based on literature analysis and primary research results. The empirical part concerns Polish startups. The main goal of this chapter is to define the key competences of a startup that will allow to distinguish it from other entities in the searching for an investor or business partner process.*

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## **INTRODUCTION**

Nowadays, organizations are increasingly departing from the traditional organizational structure - characteristic for industrial enterprises - towards a network structure. This trend, in its most radical form, is reflected in the concept of Industry 4.0, which projects a complete paradigm shift from “centralized production” to “decentralized production”. In the paradigm of “centralized production”, complete production tasks are carried out in a single company. Such systems are based on centralized management and control. Decentralization paradigm indicates a departure from centralized management and control. “Networks of autonomous production resources capable of responding to different situations, self-configuring, knowledge-based, sensor-based, spatially dispersed and including appropriate planning and management systems will be set up” (Kagermann, Helbig, Hellinger, & Wahlster, 2013). Functioning in the network requires a change in a way of working and managing and makes the organizations focus on their own key competences and shift other activities to co-operators.

There are both very large and very small enterprises in network structures. Each individual one brings to the network the strengths of different entity types. The synergy effect occurs - the network structure limits the weaknesses of individuals. It is more flexible and innovative. Large organizations command significant resources - unique infrastructure, capital, industry and business knowledge, specialized competences as well as market and customer access. These resources enable testing of new solutions on a large scale and in real conditions. Small businesses, on the other hand, are characterized by high decision-making autonomy, more efficient management, high speed, high flexibility and higher product quality - they usually focus on only one product or service. If the cooperation model is properly designed, it can be beneficial for all parties (World Economic Forum, 2018). Network structures are typically used on the B2B market.

Many of the small entities, which see their chances for business success in the network model, are the so-called start-ups. Startups are newly created companies or temporary organizations looking for a business model that ensures their profitable growth. They pose an important element of creating innovative products and services, but their actions are not based on a stable business model - its business model determines the way in which a new entity intends to create and deliver value to its target customers: how it will function, win customers and earn money. The startup organization characteristics are as follows (Łopusiewicz, 2013, pp. 8-9):

- Low start-up costs,
- Increased risk in comparison to standard projects,
- Increased return on investment compared to standard projects.

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