

# START-UPS

This lesson uses the article “5 Top Reasons Why Start-ups Fail” by Tanja Eschberger

## 1 WARM UP

**Task 1:** Study the reasons why people start their own businesses below.

a. to have the freedom to be one’s own boss

b. to do something you are passionate about

c. the thrill of taking a risk.

d. to provide a solution to an existing problem.

e. to provide a product or service that improves society.

f. to work flexible hours.

**Task 2:** Discuss the following questions as a class.

1. Do any of the reasons for starting one’s own business appeal to you?
2. Can you think of any other reasons people start their own businesses?
3. Are there cultural factors that encourage or discourage people from starting their own businesses?
4. How do advancements in technology and the rise of online platforms contribute to the appeal of starting a business?



## 2 START-UP VOCABULARY

**Task 1: Match to the definitions, then answer the questions.**

Game changer **2**

Digital nomad **5**

Monetise **4**

Unicorn **1**

Exit strategy **3**

1. describes a start-up company with a value of \$1 billion.
2. a thing that completely changes how something is done.
3. an owner's plan of how to leave the business on a high.
4. to generate money from a business, usually internet based.
5. someone who uses an online job or own business to work from remote locations.

**Task 2: Complete the sentences using the words from task 1.**

- a. As a **digital nomad**, Sarah was able to work remotely from various countries while still contributing to her start-up's growth and success.
- b. The start-up is able to **monetise** their platform through targeted advertisements and premium subscriptions.
- c. The **unicorn** start-up attracted significant investment due to its innovative technology, making it one of the most valuable companies in the industry.
- d. After years of hard work, the founders successfully executed their **exit strategy**, selling the start-up to a larger corporation for a substantial profit.
- e. The new marketing strategy was a **game-changer** for the start-up, doubling its user base within a month.

**Task 3: Practice using the vocabulary by answering the following questions.**

- a. From which industry do you predict the next **unicorn** will emerge?
- b. Should all entrepreneurs have an **exit strategy** before starting their business?
- c. Does a start-up have to be unique and a **game changer**?
- d. Is it important to **monetise** a start-up immediately?
- e. Discuss the link between digital nomads and start-ups.



### 3 FIVE REASONS WHY STARTUPS FAIL

**Task 1: Begin by reading and completing the task in the box.**

Predict the top 5 reasons why startups fail, then read the article and compare your answers.

There are many reasons why start-ups fail; usually, it is a combination of things that prevent success. Five common reasons are presented in the article.

**Lack of market demand.** No market, no cash. A study showed that more than 40 percent of startups failed because they had planned their product or service without ensuring there was a market to sell in. In some cases, the market was not yet mature, or products were developed that were not relevant to the target group.

**Insufficient financial resources.** Another important reason for the failure of start-ups is a lack of capital. In the growth phase, reliable financing is often lacking. One third of companies failed due to liquidity problems. An example of this is the drone company Airware. It desperately looked for financiers for 18 months before it ran out of money and was shut down. The startup wanted to gain a foothold as a pioneer in commercial drones. However, the market did not develop as quickly as Airware expected. Investors left, so the company could not survive. 120 employees lost their jobs, and the start-up burned \$118 million.

**The wrong team.** Another reliable killer for startups is having problems and inconsistencies within the team. If cooperation between team members does not work, the startup doesn't stand a chance either. In many cases, there is also a lack of management competence. The

founder of the online platform 'Nouncer' attributes their failure to the fact that he did not have a partner who balanced him and provided plausibility checks for business and technological decisions. In addition, the startup also had massive problems finding suitable employees who were willing to work at the location.

**Strong competition.** Many startups do not keep their eye on the ball, so are overtaken by their competitors and forced to give up. A well-known example is Wesabe, a failed online personal financial management service outperformed by Mint. Mint analysed the weaknesses of Wesabe and only launched the platform when they had developed a better solution. This gave Mint a competitive edge. Wesabe was more powerful than Mint and offered more functions, but it was more difficult to operate.

**Pricing and costs.** Problems for many startups arise from difficulties in calculating a price that is high enough to cover costs but low enough to attract customers. After all, in a recent study, 18 percent of companies cited profitability issues as the main reason for failure. A famous example of a company that survived without making a profit is Amazon. They were able to convince investors that their business was viable without turning a profit for many years, this shows that it pays to invest and believe in your business.

**Task 1: Read and discuss the meaning of the quotes from the article.**

- a. "The market was not yet mature" **The market is not ready.**
- b. "Lack of capital" **No money.**
- c. "Liquidity problems" **Lack of money or assets, can lead to going out of business.**
- d. "Gain a foothold" **To obtain power or position from which you can grow.**
- e. "Plausibility checks for decisions" **To check if something is possible before acting.**
- f. "Keep their eye on the ball" **To concentrate, to stay focussed on something.**

**Task 2: Discuss the following article-based questions as a class.**

1. What are the five common reasons presented in the article for the failure of start-ups?
2. What percentage of startups failed due to a lack of market demand, according to the study mentioned in the article?
3. Explain why insufficient financial resources can lead to the failure of start-ups, using the example of the drone company Airware.
4. How does a dysfunctional team contribute to the failure of a start-up, according to the article?
5. What role did competition play in the failure of Wesabe, the online personal financial management service?
6. Why are pricing and cost calculation crucial for the success of a start-up, and what percentage of companies cited profitability issues as the main reason for failure?
7. Describe how Amazon's approach to profitability differed from conventional business models and why it was successful.
8. What factors might contribute to a market not being mature enough for a start-up's product or service?
9. How did Mint outperform its competitor, Wesabe, in the online personal financial management market?
10. According to the article, what role does having a partner with complementary skills and plausibility checks play in the success of a start-up?



## 4 FIVE COMMON WAYS TO GET FUNDING

**Task 1: Match the headings from the box to complete the gaps.**

crowdfunding <b>2</b>	friends and family <b>4</b>	self-fund <b>5</b>
government grants <b>1</b>	venture capital <b>3</b>	

- In the US, there are dozens of \_\_\_\_\_ available, they are offered by the government in the interests of stimulating the economy and growing the job market. The main drawback is the fierce competitiveness, and it can be a frustratingly drawn-out process, but that's the tradeoff for retaining control.
- \_\_\_\_\_ is popular in the digital economy. This funding gives capital without repayments, you don't lose any control, and it is a nifty form of advertising. The difficulty is getting your voice heard amongst the vast competition.
- Finding a \_\_\_\_\_ who shares your vision is a good way of raising cash. To do this, it is necessary to have a fine-tuned business model, ready to scale. It can be difficult to convey the scale-ability of an enterprise. Also, these investors want to recover their investment, turn a profit then move on to the next fresh start-up.
- Entrepreneurs are sceptical about \_\_\_\_\_ funding, but many of the world's top business people have done it. Therefore, you should have no hesitation about doing it. The main benefit of these loans is that they are interest free. However, soliciting these loans may lead to arguments, and it's not easy to put together a large sum this way.
- Entrepreneurs are headstrong, so many elect to \_\_\_\_\_. They do this by selling possessions, saving money from their day job, investing, and freeing up capital by remortgaging. This retains control, and there are no outside burdens. However, raising money can become a full-time job, taking away attention from the business.

**Task 2: Discuss the following questions as a class.**

- Do you know of any other ways to raise funding for a startup?
- What motivates governments to give grants to new businesses?
- What are the advantages and disadvantages associated with self-funding?
- Does a startup have to be a unicorn to attract venture capitalists?
- How can receiving funding from friends and family affect the relationship?
- Are there any industries where crowdfunding is particularly relevant?

## 5 START-UP CASE STUDIES

### Task 1: How would you suggest the businesses in the boxes get funding?

- Use the information from exercise 4 to guide your answers.

#### Norden Taxis

Norden Taxis is a small taxi company based in Manchester, England. Recently, their biggest competitor went out of business. The owner sees this as a growth opportunity. He wants to buy two new cars and hire two new drivers.

**Family and friends, or self fund (through bank loan) or savings.**

#### Fitness 4 Life

Fitness 4 Life is the name of John's personal training company. The business has been operating for 4 months. He is the only employee, as he only has 10 clients. He has growth plans, so he wants to buy a laptop and \$500 worth of exercise equipment.

**Family and friends, or self fund.**

#### Phillip Egan

Phillip Egan is an engineer who has invented a new, efficient, and cost-effective way of recycling all plastic. The idea could revolutionise the world. He has a great business plan with scale, as all countries will be interested. He needs a huge investment.

**Venture capital / government grants.**

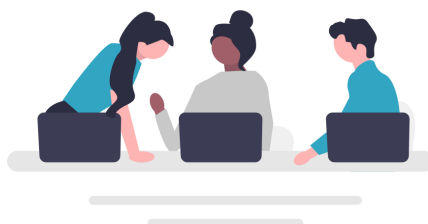
#### Bleakholt Animal Sanctuary

Bleakholt Animal Sanctuary is an important part of the community. However, they have cash flow problems because they recently had to pay for repairs to one of their buildings after a storm, and there has been a downturn in donations. They need \$5000 to cover their costs and safeguard their future.

**Crowdfunding**


### Task 2: If each of the businesses gets relevant, do you think they still could fail?


- Use the information from the article exercise 3 to guide your answers.





## 6 DEBATE

Study the statements, then decide if you agree or disagree with them. Use the language in the table at the bottom of the page to help structure your answer.

**John**  
 Start-up culture often prioritises hype and funding over actual product value.

**Oli**  
 Many start-ups perpetuate a toxic hustle culture, glorifying overwork and burnout.

**Beth**  
 Start-ups exploit free internships under the guise of valuable "learning experiences."

**Amy**  
 The start-up culture's obsession with "disruption" can lead to job loss and economic instability in traditional industries.

<p style="text-align: center;"><b>Express an opinion</b></p> <p>It seems to me that...</p> <p>I feel that...</p> <p>I'm absolutely convinced that...</p> <p>In my opinion,...</p> <p>I believe / suppose / feel (that)...</p>	<p style="text-align: center;"><b>Express disagreement</b></p> <p>I don't agree with you about...</p> <p>I can't accept your view that...</p> <p>I have a different opinion...</p> <p>I'm not sure if...</p> <p>I'm not convinced that...</p>
<p style="text-align: center;"><b>Express pro's and con's</b></p> <p>There are two sides to this point...</p> <p>On the one hand...,on the other hand...</p> <p>An argument for / against is...</p> <p>Some people think that...,others say that...</p> <p>The advantages / disadvantages are...</p>	<p style="text-align: center;"><b>Summarise</b></p> <p>So, in conclusion...</p> <p>To summarise..</p> <p>Overall, it is clear that...</p> <p>As a result..</p> <p>The bottom line is...</p>



# HOMework

Watch the [video](#) titled “Canva: She founded a unicorn by 30” by CNBC International.

## 1 CANVA: THE START-UP UNICORN

**Task 1:** Decide if the following statements are true or false based on the [video](#).

1. Melanie Perkins always wanted to be an entrepreneur since she was a child. **T**
2. Melanie and her boyfriend wanted to take on Microsoft and Adobe. **T**
3. Melanie and her boyfriend pitched to over 100 investors in Silicon Valley. **T**
4. Melanie stalked future employees by creating a fairytale about them. **T**
5. Canva was valued at \$1 billion five years after starting the company in 2013. **T**
6. Canva is worth \$3.2 billion now. **T**
7. Canva is a paid online design platform. **F**
8. Melanie and Cliff started Canva in Australia in 2013. **T**

**Task 2:** On a separate piece of paper, write detailed answers to the following questions.

- a. How did Melanie Perkins' early ambition drive her from school assignments to founding Canva?
- b. What sets Canva's vision apart from other design platforms on the market?
- c. How did Melanie's determination help her overcome challenges while pitching to investors and building her team?
- d. How did Melanie's encounter with Bill Tai and the Mai Tai retreat contribute to Canva's growth?
- e. What creative strategies did Melanie use to personalise pitch decks and attract top talent to Canva?
- f. In what ways did Canva disrupt the established design market dominated by companies like Adobe?
- g. How has Canva's mission made design more accessible and inclusive to a global audience?
- h. Despite Melanie's reluctance, how does her role as a female founder inspire other women in tech?
- i. What is the significance of Canva's expansion into paid services like Canva Pro and Canva for Enterprise?
- j. How has Melanie's internal drive played a role in Canva's success and growth?