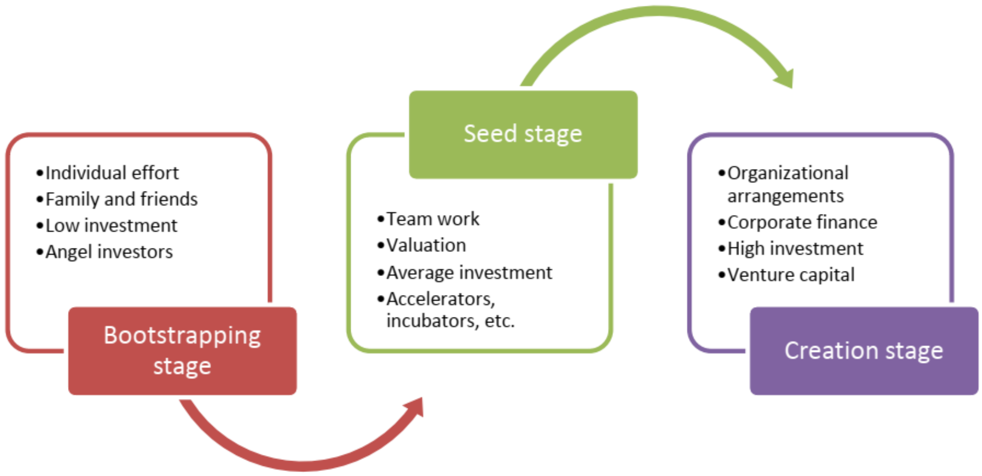
# COURSE 03: LIFE CYCLE

## LIFE CYCLE




## Bootstrapping stage:

In this very early stage, the entrepreneur himself/herself initiates a set of activities to turn his/her idea into a profitable business. However, he/she considers a higher risk or even uncertainty level, continues working on the new venture idea, makes a team, uses personal funds, and asks family members and friends for their investment in the idea. Bootstrapping, which is sometimes defined as highly creative ways of acquiring the use of resources without borrowing, is considered to be one of the areas of entrepreneurship research that most need to be addressed . The purpose of this stage is to position the venture for growth by demonstrating product feasibility, cash management capability, team building and management, and customer acceptance. Moreover, angel investors are more likely to invest in this stage. In sum,



1. Aidin Salamzadeh, Hiroko Kawamorita Kesim, Startup Companies: Life Cycle and Challenges.

2. Alla kasych, Aliaksandr Amelyaniuk, The nature of startup development: concepts, theories, trends, conditions.

bootstrapping is a way of life in entrepreneurial companies. This argument reveals the reason why most of the theories of startups are borrowed from entrepreneurship theories.

## Seed stage

After the bootstrapping stage, the founder enters into a new stage, which is the seed stage. This stage is characterized by team work, prototype development, entry into market, valuation of the venture, seeking for support mechanisms such as accelerators and incubators, and average investments to grow the startup. Frankly speaking, for most startups the seed stage is a mess and is construed as highly uncertain. The seed stage is characterized by the initial capital that is used to do product and/or service. Thus, founder seeks for support mechanisms such as accelerators, incubators, small business development centers, and hatcheries to accelerate the process. A great number of startups fail in this stage. Since they could not find support mechanisms and in best case they would turn to a low profit company with a low rate of success. On the other hand, those who succeed in receiving support would have a higher chance of becoming profitable companies. It goes without saying that valuation is normally done at the end of this stage.

## Creation stage

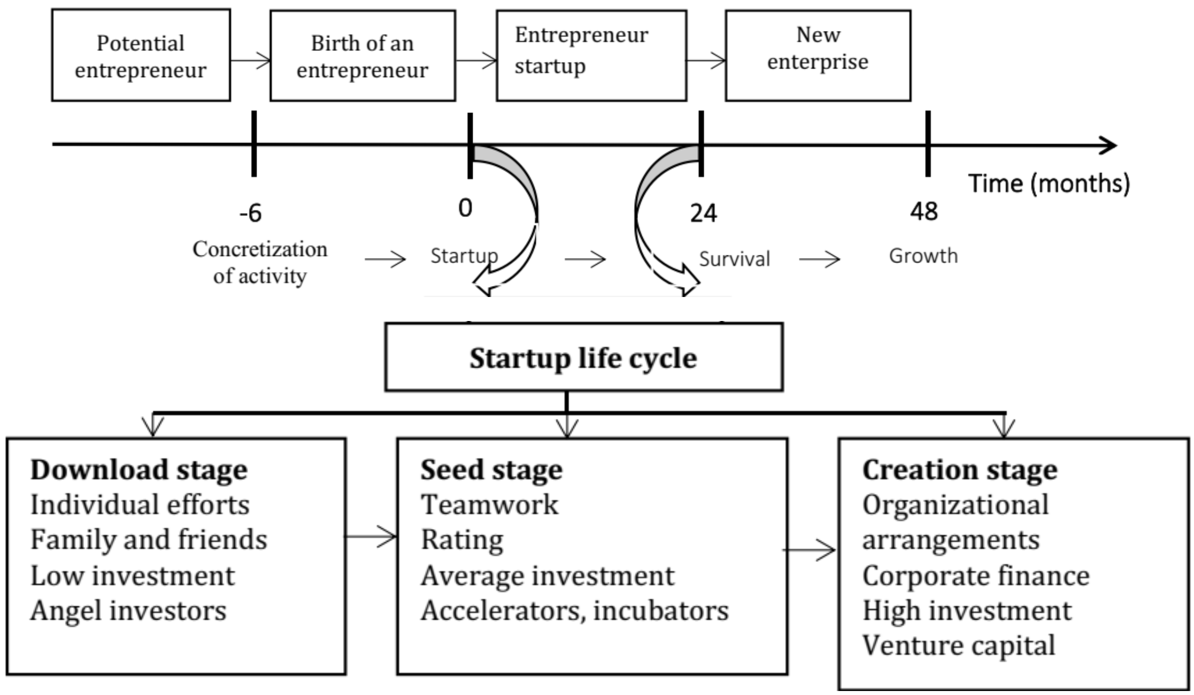
Creation stage occurs when the company sells its products, enters into market, and hires first employees. Some scholars believe that entrepreneurship stops when the creation stage is ended. This supports the argument that most of the theories which cover startups are borrowed from entrepreneurship theories and not management and organization theories. At the end of this stage, organization/firm is formed and corporate finance is considered as the main choice for financing the firm. Venture capitals could facilitate the creation stage, by funding the venture.



1. Aidin Salamzadeh, Hiroko Kawamorita Kesim, Startup Companies: Life Cycle and Challenges.

2. Alla kasych, Aliaksandr Amelyaniuk, The nature of startup development: concepts, theories, trends, conditions.

# TRANSFORMATION OF STARTUPS INTO ENTERPRISES

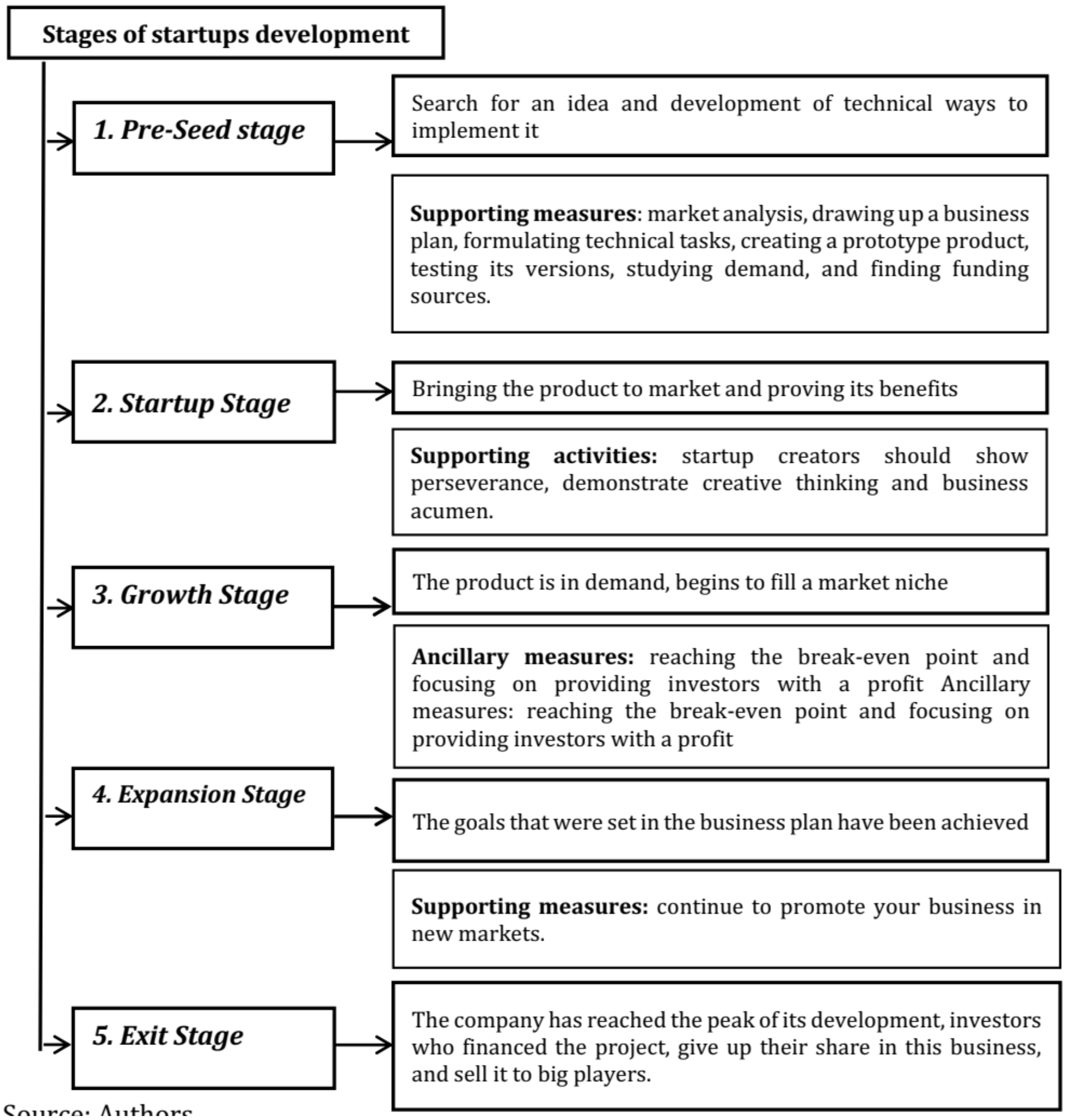





1. Aidin Salamzadeh, Hiroko Kawamorita Kesim, Startup Companies: Life Cycle and Challenges.

2. Alla kasych, Aliaksandr Amelyaniuk, The nature of startup development: concepts, theories, trends, conditions.

# STAGES OF STARTUPS DEVELOPMENT



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