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# STARTUPS IN ENTERPRENEURIAL ACTIVITY: LAUNCHING ISSUES

In order to investigate the launching issues of startups (also start-ups), we need to determine the definition of this term. Seeing the fact that the term «startup» originates in USA, we discovered the theory of startups with the help of English-language sources to find an exact definition to explore and identify the idea of the startup.

Our research examines that a startup is a company that is just beginning to develop, which is usually small, supported with venture capital and operated by founders. These companies offer a product or service that is not currently being offered elsewhere in the market, or is being offered in a contrasting manner.

Insofar as the term startup first used in Forbes in August 1976 we decided to take a few quotations of some entrepreneurs, who were engaged in launching a startup.

Matt Salzberg, CEO and cofounder of dinner set delivery service Blue Apron, noted that keeping that dynamic culture at a company gets much harder with every new employee and with every year that passes.

Moreover, time limits do not affect the startup. Y Combinator accelerator head Paul Graham affirms that a company five years old can still be a startup, even ten (years old) would start to be a stretch. [3]

In several scientific academic papers we distinguished some important issues of launching startup.

Christian Keuschnigg and Soren Bo Nielsen considered that entrepreneurs have ideas but lack own resources as well as commercial experience. Venture capitalists provide start-up finance and managerial support. Both types of agents thus jointly contribute to the firm's success, but neither type's effort is verifiable. We find that the market equilibrium is biased towards inefficiently low venture capital support. In this situation, the capital gains tax is particularly harmful. The introduction of a small tax impairs managerial advice and leads to first order welfare losses. Once the tax is in place, limitations on loss off-set may paradoxically contribute to higher quality of venture capital backed entrepreneurship and welfare. [1]

Hans K. Hvide and Jarle Moen defined that if entrepreneurs are liquidity constrained and not able to borrow to operate on an efficient scale, economic theory predicts that entrepreneurs with more personal wealth should do better than those with less wealth. We test this hypothesis using a novel dataset covering a large panel of start-ups from Norway. Consistent with liquidity constraints, we find a positive relationship between founder prior wealth and start-up size. The relationship between prior wealth and start-up performance, as measured by profitability on assets, increases in the first three wealth quartiles. In the top wealth quartile, however, profitability drops sharply in wealth. According to this opinion, an affluence of resources might harmful for startups, higher wealth may induce a less alert or a less dedicated management. [2]

Sean M. O'Connor said that «Crowdfunding» — the use of the Internet to raise significant aggregated funding from a large number of persons each contributing a small amount — includes both «project crowdfunding» (donations for a specific project that are not considered investment securities) and «enterprise crowdfunding» (sale of investment securities to raise general operating and growth capital). [4]

Basing on the research of English-language sources, we could come to the following conclusion that the main issue of launching startup is financing. These starting companies can be financed by venture funds, donations, that are not an investment securities, or, in fact, sales of investment securities and founders themselves, whether they have enough financial resources. However, the reasonable usage of finances is necessary, because excessive funding can cause more harm than give new opportunities to the young business.

**Bibliography:**

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