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FACULTY OF BUSINESS, MANAGEMENT AND ECONOMICS
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**“LATVIAN STARTUP SUCCESS FACTORS BUILDING A HIGH
GROWTH TECHNOLOGY STARTUP”**

**“Latvijas jaunuzņēmumu panākumu faktori veidojot augstas izaugsmes
tehnoloģiju jaunuzņēmumu”**

MASTER THESIS

Professional higher education master's study program
"International Business"

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RIGA, 2022

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ANNOTATION

As overwhelming majority of the startups fail the author of this master thesis chose to research what are the success factors for Latvian startups in creating a high growth technology startup, which is the aim of this master thesis. Research is conducted doing existing literature analysis, statistical data analysis and qualitative analysis using in-depth interviews of the founders in Latvia with identical, open ended questions. The author interviewed only the highest growth startup founders. 14 founders, who have built startups, with average revenue of 35.5 million euros and age 6 years, and 3 investors, who have invested in high growth technology startups. In the result 4 main startup success factors were identified: “Building a great team”; “Picking the right market”; “Achieving product-market fit” and “Achieving scalable business model” and 1 additional factors: “Luck”.

ANOTĀCIJA

Tā kā pārliecinoši lielākā daļa jaunuzņēmumu negūst panākumus, šī maģistra darba autors izvēlējās izpētīt, kādi ir Latvijas jaunuzņēmumu veiksmes faktori augstas izaugsmes tehnoloģiju jaunuzņēmumu izveidē, kas ir šī maģistra darba mērķis. Pētījums tiek veikts, veicot esošās literatūras analīzi, statistisko datu analīzi un kvalitatīvo analīzi, izmantojot Latvijas jaunuzņēmumu dibinātāju padziļinātās intervijas ar identiskiem, atvērtiem jautājumiem. Autors intervēja tikai veiksmīgākos startup dibinātājus Latvijā. Tika intervēti 14 dibinātāji, kuri ir izveidojuši jaunuzņēmumus ar vidējiem ieņēmumiem 35,5 miljoni eiro un vidējo vecumu 6 gadi, un 3 intervēja investorus, kas ir ieguldījuši augstas izaugsmes tehnoloģiju jaunuzņēmumos. Rezultātā tika identificēti 4 galvenie startup panākumu faktori: “Lieliskas komandas veidošana”; “Atbilstoša sektora izvēle”; “Produkta-tirgus atbilstības sasniegšana” un “Mērogojama biznesa modeļa sasniegšana” un 1 papildu faktors: “Veiksme”.

KEYWORDS

Startup Success Factors; High Growth Technology Startup; IT Startups; Latvia; Entrepreneurship; Critical Success Factors; Product-market fit; Scalable business model

INTRODUCTION

The author of this thesis managed to build a startup named “CryptoPolice”, raising 150 000€ in investment, but failing to create a growing tech Startup, and it ended with a bankruptcy. While founders of other Latvian startups, for example Printify founders or SunFinance founders managed to create an international, high growth technology startups getting to 100 million euro yearly revenue in less than 7 years of foundation. Why it is so that most of the startups and entrepreneurs fail, but only few succeed, some succeed even more by creating high growth technology startups.

The importance to research this topic is high, because the better understanding researchers manage to achieve with startup success factors, the higher chance for informed entrepreneurs to build successful, high growth technology startups. With the context that Latvia has substantially worse results with startup success comparing with other Baltic states, this research especially to Latvian startups is very important. And also as academic topic “startup success factors” is topical, because there is a growing number of research articles showing interest from research community. And this master thesis opens up a niche understanding of Latvian startups and high growth technology startups in the context of Startup success factors, which would make it valuable in the international academic environment.

The aim of this master thesis is to find the success factors building a high growth technology startup in Latvia.

Structure of this thesis consists of 3 parts:

First part is literature review, where the author looks at existing research on startup development stages, the concept of startup, success and startup success factors in other countries or fields.

Second part is about the startup situation in Latvia. What are the statistical data, analysis of startup success in Latvia in international context, which are the most successful startups in Latvia, showing the highest growth. And which are the startup founders, who have achieved the high growth with their technology startups.

Third part is research, based on qualitative analysis - 17 in-depth interviews with founders of high growth technology startups and investors, who have successfully invested in high growth tech startups. The startup founders were identified, based on their startup success, picking only the most successful in terms of revenue and growth in Latvia. The average interviewee startup yearly revenue is 35.5 million € and average age is 6.1 years.

Research methods used in this master thesis is literature analysis of theoretical material analyzing startup success factors in existing research, statistical data analysis

analyzing statistical data about startup environment and qualitative analysis with in-depth interviews of high growth startup founders. Interviews had identical, open ended questions based on founders previous experience. Questions are created based on the success factors that have been identified as relevant in other academic research papers and founder keynote speeches. Reasons for doing qualitative research instead of quantitative is, firstly creating a high growth tech startup is not a common knowledge, because only few have achieved that, meaning there are only few people, who have real world proof that they have knowledge about startup success factors creating a high growth tech startup. Secondly the knowledge is complicated, hidden into the founder understanding and experience, and can have a chance to be unlocked only in open ended, deep interviews, finding the right ideas-success factors like hidden gems. In authors view the best approach for this is conducting deep face to face interviews.

Literature used in this thesis mainly are scientific articles about startup success, development stages and success factors, keynote speeches of entrepreneurs about startup success, company registrar database “Lursoft” for market research on highest growth startups in Latvia and internet resources like government agency reports and online articles on specific data, which was not available in scientific databases or statistical databases.

Research Tasks:

1. To analyse and explore the theoretical concepts of how to build a successful startup;
2. To define success factors, based on theory from existing research and entrepreneur keynote speeches, what should be used in thesis research and interview questions;
3. To define interview questions;
4. To analyze Startup environment in Latvia
5. To define most successful startups that have achieved success, very rapid growth, in order to choose the best startup founders and investors for the interviews;
6. Do interviews of founders and investors of top startups in Latvia
7. To analyse the results, identifying startup success factors and sub-factors;
8. To make conclusions on the high growth startup success factors
9. To develop recommendations for future research areas to other scholars
10. To develop recommendation to founders, business accelerators and other startup ecosystem players, based on the research results

Hypothesis: Achieving product market fit, is the most important startup success factor for latvian entrepreneurs - so first and main goal for a founder would be to create a product that customers love, solving specific need better than alternatives, in order to build a high growth technology startup.

1. THEORETICAL ASPECTS OF STARTUP SUCCESS

1.1. Startup Development Stages

In order to understand startup success factors, we have to understand startup development stages, because factors might differ in different development stages, meaning achieving success in one stage would mean something different than in another stage.

Startup Development Stages from academic literature

Santisteban Jose and Mauricio David in 2017 has done a literature review of success factors, which includes also startup development stages, identifying 1013 studies that talk about this topic, from which both authors chose and analysed most relevant 74 articles.¹ The author of this master thesys based on the mentioned study describes the development stages bellow.

Wing-Ki Wong and Hong-Man Cheung 2005 research on Growth Potential of High-Technology Start-Ups in Hong-kong² suggest 6 stages:

- preparation for Start-up, an entrance evaluation is performed in order to assess the incubation program applicants;
- incubación process, where the services and resources are channeled for the creation, consolidation and escalation of the business in the market;
- incubatee performance measures, these measures help to have a better understanding of where their Startups are incubated and how to enhance their performance;
- the exit policies, an experienced business incubator must be capable of providing professional knowledge and experience so as to help their Startups towards graduation;
- parental care, not all incubated Startups may have gained enough maturity to be able to operate independently, an extended period of care can make them stronger in competing with others;
- disconnect incubator, the incubated Startups are ready to become an independent business to enter the competitive world.

¹ Santisteban José, Mauricio David (2017), Systematic literature review of critical success factors of Information Technology startups, *Academy of Entrepreneurship Journal* 23(2):19

² Wing-Ki Wong, Hong-Man Cheung (2005), Assessing the Growth Potential of High-Technology Start-Ups: An Exploratory Study from Hong Kong, *Journal of Small Business & Entrepreneurship* 18(4):454

On the other hand, the study done by professor Yoon-Jun in 2010 research on Technology strategy by growth stage of technology-based venture companies³ identified these 3 different stages:

- incubation, companies identify the practical business ideas, review and evaluate the possibility of commercialization and produce early products;
- growing, companies start producing, launching and selling their products and/or services as a result of the technology development,
- and maturing, the focus is on maintaining the growth rate and developing additional products.

Researchers Pirolo and Presutti in 2010 published research paper on The impact of social capital on the start-ups, where they also looked at startup development stages⁴ identified two stages:

- Emergence, the first stage, normally there's very small equipment, it gets put into action and gives way to the first outline
- and early growth, the entrepreneurs typically search the financing of the biggest venture capital from investing angels.

Likewise professors Mueller, Volery and Von during a 2012 research in Switzerland in an observational study of entrepreneurs' everyday behavior in the start-up and growth stages⁵ identified 2 stages:

- Startup, entrepreneurs focus on the business opportunity that they plan to take advantage of, the exact starting activities such as the development of a prototype, the organization of a founding team and equipment purchasing
- and growth, resources are collected to finance a rapid growth; the entrepreneur focuses on the strategic alliances.

³ Yoon-Jun, L. (2010). Technology strategy by growth stage of technology-based venture companies. *International Review of Business Research Papers*, 6(6), 216-234.

⁴ Pirolo, L. & Presutti, M. (2010). The impact of social capital on the start-ups' performance growth. *Journal of Small Business Management*, 48(2), 197-227.

⁵ Mueller, S., Volery, T. & Von, B. (2012). What do entrepreneurs actually do? An observational study of entrepreneurs' everyday behavior in the start-up and growth stages. *Entrepreneurship Theory and Practice*, 995-1017.

Meanwhile, professors Ng, Macbeth and Southern in 2014 research on Entrepreneurial performance of early-stage ventures⁶ identified 3 stages:

- early, the company builds its initial business team;
- growth and development, this stage is affected by the management of resources
- and expansion, in this stage the human capital appears as the driving force for the companies to expand rapidly, furthermore, the technologic infrastructure helps the enhancement of the critical actives and the innovation of the products and/or services.

And professor Bocken in 2015 research about Sustainable venture capital catalyst for sustainable start-up success⁷ identified these 4 stages:

- seed, this stage is influenced by family, friends, entrepreneur's own capital and government support;
- young, in this stage the products and/or services are in production and the first clients turn up;
- growing, the sales and the clients are increasing and the competition intensifies; and lastly,
- mature, the sales and benefits tend to be stable. Nevertheless, competition remains ferocious and a decision needs to be made as to whether to expand the company or not.

In the work done by researchers Almakezi, Bramantoro and Rashideh in a 2015 research in Saudi Arabia on A survivability model for Saudi ICT Start-ups, identified these 2 stages:

- Incubation, in this stage the entrepreneur leader evaluates the team's commitment and validates de business model;
- on the other hand, in the Post incubation stage, the market evolution and the emergence of substitute and competing products are evaluated.

⁶ Ng, A., Macbeth, D. & Southern, G. (2014). Entrepreneurial performance of early-stage ventures: Dynamic resource management for development and growth. *International Entrepreneurship Management Journal*, 1-19.

⁷ Bocken, N. (2015). Sustainable venture capital catalyst for sustainable start-up success? *Journal of Cleaner Production*, 108, 647-658.

Based on this literature review, the author of this master thesis has shown the different approaches on startup development stages in *Table 1.1.* combining the 7 research paper stages with Mauricios and Santistebans stages.


Reference	Stages of development					
(Wing-Ki and others, 2005)	Preparation for Start-up	Incubation process	Incubatee performance measures	Exit policies	Parental care	Disconnect incubator
(Yoon-Jun, 2010)	Incubation			Growing	Maturing	
(Pirollo & Presutti, 2010)	Emergence	-	-	Early growth		-
(Mueller and others, 2012)	Start-up	-	-	Growth		-
(Ng and others., 2014)	-	Early		Growth and Development	Expansion	
(Bocken, 2015)	Seed	Young		Growing	Mature	
(Almakenzi and others, 2015)	Incubation			Post incubation		
(Mauricio, Santisteban, 2017)						

Table 1.1. Startup Development Stages By Different Authors 2005-2017.

Source: Prepared by the author on the basis of Santiseban and Mauricio review and reserach on Startup success factors.⁸

As we see in *Table 1*, suggested by researchers Mauricio and Antisteban, we can combine the different schoolar approaches from academic literature to 4 stages: Seed, Early, Growth and Expansion stage:

1. The seed stage is also called preparation for Start-up, emergence and start-up, in this stage there's no business plan 100% defined, this is why the work team is normally small and they are the ones in charge of shaping said plan. Furthermore, it's usual to use the seed capital or in other words, the contributions given the founders, relatives or some small investor that believes in the project.
2. The early stage, also known as Young stage, here the product is already on the market and everyday there are more clients willing to buy the product and so it is necessary to keep innovating the product.

⁸ Santisteban José, Mauricio David (2017), Systematic literature review of critical success factors of Information Technology startups, *Academy of Entrepreneurship Journal* 23(2):1-23

3. The growth stage is also called growing; early growth and growth and development, in this stage the business model suggested in the initial phase has been perfecting, thus causing the emergence of investment funds specialized in the financing of the startup, in this stage it is important to be competitive through the increase of the market share.
4. Lastly, the expansion stage is also called mature, the external financing will turn out to be crucial; in this stage alliances are established with other companies in order to facilitate the settlement I other markets and segments. According to Ng et al. (2014), expansion is motivated by the need to increase profitability, enhance business management and search complementary services.

Startup Development Stages from report by practising investors and entrepreneurs

As academic researchers and practising professionals tend to have different viewpoint on the same problems, the author of this master thesis has decided to look at startup development stages also from the investor and entrepreneur perspective.

Based on the research “Startup Genome Report” done in 2012 by investor Max Marmer and successful entrepreneurs Bjoern Lasse Herrmann, Ertan Dogrultan, and an academic researcher Ron Berman from UC Berkeley. This report was done based on a survey of more than 650 startups. Based on the research the startup lifecycle is made of 6 stages of development, where each stage is made up of levels of substages. These stages are called: Marmer Stages and they consist of 6 different steps⁹, which are shown in the picture *Figure 1.1.* below.

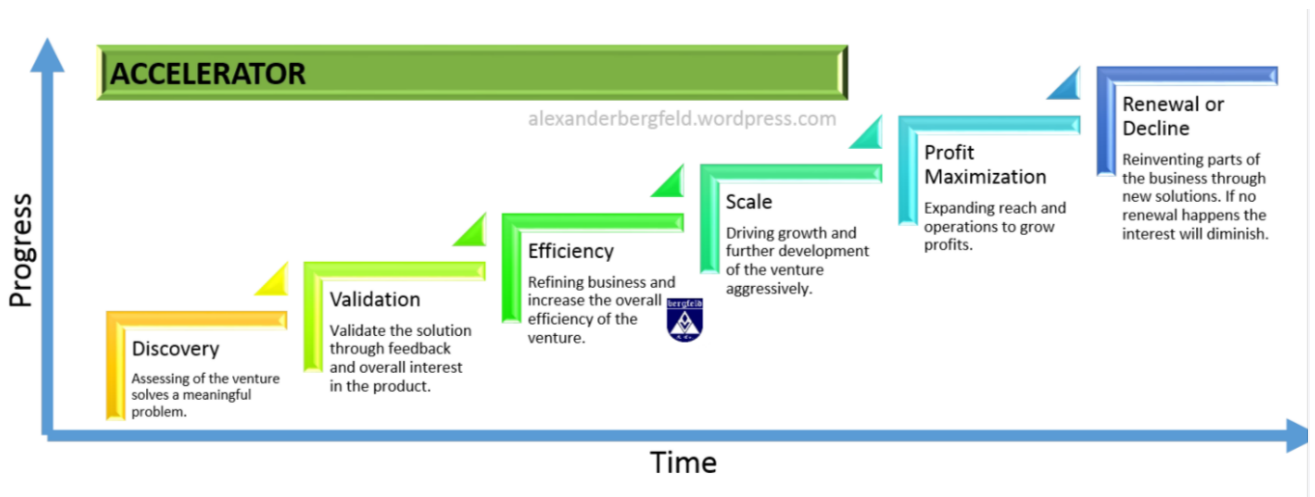


Figure 1.1. Max Marmer Startup Development Stages, 2012.¹⁰

These are the proposed stages by Max Marmer in more details:

1. **Discovery stage:** This is the fundamental stage, where startups are focused on validating whether they are solving a meaningful problem and whether anybody would hypothetically be interested in their solution. In this stage founding team is formed, the founders do customer interviews, they try to understand value proposition and create minimally viable products. In this stage the team tend to join incubators and business accelerators. Funding comes from friends and family.
2. **Validation stage:** During this stage startups are looking to get early validation that people are interested in their product through first sales. Events: refinement of core features, initial user growth, metrics and analytics implementation, seed funding, first

⁹ Berman, R., Dogrultan, E., Herrmann, B.L., Marmer, M. (2011), Start-up Genome - A New Framework for Understanding Why Startup Succeed, Startup Genome. 9-15

¹⁰ Same Source

key hires, pivots (if necessary), first paying customers. Most importantly Product market fit is reached.

3. Efficiency Stage: In this stage the team refine their business model and improve the efficiency of their customer acquisition process. In this stage startups should achieve efficient customer acquisition in order to avoid scaling with a leaky bucket. In this stage companies refine value proposition, optimize conversion funnel, achieve viral growth. The team has also found repeatable sales processes and/or scalable customer acquisition channels.
4. Scale Stage: In this stage startups step on the gas pedal and try to drive growth very aggressively. In this stage startups raise large A rounds, achieve massive customer acquisition, they improve back-end scalability so that it goes smooth, first executive hires happen, the team establishes first departments, implements first company processes.
5. Profit Maximization stage - in this stage company can expand their reach and operations to expand profits.
6. Renewal or Decline - At the last stage the business model is already working or at least reliable. But the question is, what comes now? Either founders tend to sell the company to giants like Google, Facebook and others or they go public. The team has to constantly renew their products and be always up-to-date in order to compete in the dynamic market.¹¹

It's also important to note that each stage can vary strongly based on the type of startup, but one should look at these stages as overall Startup Development Stages.

¹¹ Berman, R., Dogrultan, E., Hermann, B.L., Marmer, M. (2011), Start-up Genome - A New Framework for Understanding Why Startup Succeed, Startup Genome. 9-15

1.2. Startup Ecosystem

Startup ecosystem is an important aspect to look at in this master thesis, because different ecosystem players might have different angles of the Startup success factors. And in order to do proper research the author should consider different players to include in the research and analysis that might help with the aim of this research. Approach to identify Startup ecosystem players the author chose to look, which startup ecosystem participants scholars tend to include in their studies.

Sabrina Korreck, scholar who analysed Indian Startup Ecosystem in her work of identified these startup players:

- entrepreneurs themselves,
- incubators and accelerators,
- investors,
- service providers,
- educational and research institutions,
- and big companies.¹²

According to Carlos Hernandez and Domingo Gonzalez study in Peru literature review, start-ups are underpinned by an ecosystem that consists mainly of:

- entrepreneur community,
- mentors,
- incubators,
- accelerators,
- shared services providers,
- angel investors,
- venture capital investors,
- universities,
- government support agencies,
- and links to other ecosystems.¹³

¹² Korreck Sabrina(2019) The Indian Startup Ecosystem: Drivers, Challenges and Pillars of Support, Observer Research Foundation, pp.13-35

¹³ Hernández Carlos & González Domingo (2016) Study of the Start-Up Ecosystem in Lima, Peru: Collective Case Study, Latin American Business Review, 17:2, 115-137

Also in other research papers scholars proposed the same or very similar main startup ecosystem players. In this master thesis research the thesys author has decided to interview these ecosystem players, who might have experience and understanding of startup success factors:

- Entrepreneurs
- Incubators
- Accelerators
- Investors

1.3. Startup Success Factors defined in academic literature

As academic researchers and practising professionals tend to have different viewpoint or the answers on the same question, the author of this master thesis has decided to look at startup success factors also from both sources, the academia and practising entrepreneurs, meaning - from scientific literature and from public keynote speeches, lecturers and interviews done by successful, proven entrepreneurs.

Definition of a startup and success

In order to clarify the success factors of a startup, it is important to clarify what is a startup and what is startup success. Let's see what other researchers have defined as startup and as success.

Startup definitions:

- Professor Kakati describes Startups as Temporary organisations that use advanced technology to create innovative products and/or services.¹⁴
- Entrepreneur and academic Eric Ries describes Startups as Organisations that create new products and/or services in an environment of high uncertainty.¹⁵
- Stanford professor Steve Blank describe startups as Temporary organisations with a reproducible and scalable business model.¹⁶
- Entrepreneur Kevin Hale describes and explains that in Y Combinator they define startups as a Company that is designed or created to try to grow very quickly.¹⁷
- Elaborating more on Kevin Hales idea: If you are not trying to build a company that grows very, very fast. Than you are just building a company, thats a small business. And Startup Idea is basically a hypothesis of why a company can grow quickly

There are different definitions of a startup, however, the author of this master thesis would synthesise an understanding of a Startup: Startups are small, nimble organisations that are characterised by innovation and rapid growth.

¹⁴ Kakati, M. (2003) 'Success criteria in high-tech new ventures', *Technovation*, Vol. 23, No. 5, pp.447-457.

¹⁵ Ries, E. (2011) *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to create Radically Successful Businesses*, Crown Publishing Group, New York, NY, USA. pp.5-8

¹⁶ Blank, S. and Dorf, B. (2012) *The Startup Owner's Manual, The Step-by-Step Guide for Building a Great Company*, KandS Ranch Press, Pescadero, CA. pp. 1-5

¹⁷ Hale, K. (2019) Y Combinator Startup School lecture, 'How to evaluated startup idea?', Y Combinator Startup School[online] 25 July 2019. Available: ej.uz/nvnq [accessed 3 of march 2022].

Startup Success definitions:

- Anatolijs Prohorovs, Julija Bistrova and Daria Ten in their research paper defines Startup Success as attracting financing at the initial development stage.¹⁸
- Scholars Hyder and Lussier describe Startup Success as Being purchased by another company or being listed on the stock market.¹⁹
- Korean researchers Yunhee Kim and Almas Heshmati say that Startup Success means that a company develops high-quality products and/or services that help satisfy unmet needs and improve people's lives.²⁰
- Van Gelderen et.al. describes Startup Success as achieving high market share and number of clients.²¹
- Professors March and Chorda describes that Success is defined by the number of jobs the company has generated.²²
- Sulayman has definition of startup success that deeply resonates with the master thesysis authors view, that Success is in creating something that truly contributes to improving the lives of others.
- But Collombo and Grilli identifies very interesting look at what is success and they say that Success in the entrepreneurial ecosystem is that they buy or get you to go public.²³
- Also an interesting definition is provided by Jose Santisteban and David Mauricio that a successful startup is considered a new company that offers products and/or services capable of being well received in the market, looking for a repeatable, profitable and scalable business model, generating jobs or Manage to transform the way people do things.²⁴

There is no standard definition of success in the literature. However to summarise the essence of previous definitions, it is: growth, meeting customer needs and serving people. Author of this master thesis prefers to choose startup success definition from the context of

¹⁸ Prohorovs Anatolijs, Bistrova Julija ,Ten Daria (2018) Startup Success Factors in the Capital Attraction Stage, Journal of East-West Business, Volume 25, pp 26-51

¹⁹ Hyder, S. and Lussier, R. (2016) 'Why businesses succeed or fail: A study on small businesses in Pakistan', Journal of Entrepreneurship in Emerging Economics, Vol. 8, No. 1, pp.82–100.

²⁰ Kim, Y. and Heshmati, A. (2010) 'Analysis of Korean IT startups' initial public offering and their post-IPO performance', Journal of Productivity Analysis, Vol. 34, No. 2, pp.133–149

²¹ Van Gelderen, M., Thurik, R. and Bosma, N. (2005) 'Success and risk factors in the pre-startup phase', Small Business Economics, Vol. 24, No. 4, pp.365–380.

²² March-Chorda, I. (2004). Success factors and barriers facing the innovative start-ups and their influence upon performance over time. *International Journal Entrepreneurship and Innovation Management*, 4(2/3), 228-247.

²³ Bertoni, F., Colombo, M. & Grilli, L. (2011). Venture capital financing and the growth of high-tech start-ups: Disentangling treatment from selection effects. *Research Policy*, 40, 1028-1043.

²⁴ Santisteban José, Mauricio David (2017), Systematic literature review of critical success factors of Information Technology startups, Academy of Entrepreneurship Journal 23(2):1-23

what is startup, defined by entrepreneur Kevin Hale - Startup is a company that grows very, very fast so Startup success would be, when company has achieved a very, very fast growth, meeting customer needs.

Startup Success Factors

In order to understand the Startup Success factors in academic research papers, the author have focused on the findings and research of scientific article published on 2018, by A.Prohorovs, J. Bistrova and D. Ten, researching Latvian and Russian startup founder opinions about Startup Success factors and literature review published on 2017, by S.José and M. David on success factors of Information Technology startups. Based on this regionally related scientific paper and overarching literature review, in authors opinion it will give good understanding of startup success factors in academic literature.

As shown in Figure 1.2. Startup success factors are defined from 3 different viewpoints, Startup Success factors, according to investors, Startup success factors according to entrepreneurs, based on A.Prohorovs, J. Bistrova and D. Te literature review and Startup success factors according to survey results, which were done in the previously mentioned research paper.

Startup success factors according to investors (literature evidence)	Startup success factors according to entrepreneurs (literature evidence)	Startup success factors according to entrepreneurs (survey results)
<ul style="list-style-type: none"> • Management skills of the founder and the team; • Market size and growth rate, competition; • Financial potential (business plan, profitability of the project, exit opportunities); • Product characteristics and scalability; • Founder's trustworthiness and reliability; • Founder's previous experience; 	<ul style="list-style-type: none"> • Management skills of the founder and the team; • Product characteristics and scalability; • Entrepreneurs' capital availability; • Market size and growth rate, competition; • Founder's trustworthiness and reliability; • Marketing and sales skills. 	<ul style="list-style-type: none"> • Management skills of the founder and the team; • Specialized education and skills; • Founder's previous experience; • Direct communication with business angels and investors; • Managerial support; • Financial potential (objectives, investment target).

Figure 1.2. Summary table: comparison of the six most important startup success factors in attracting capital according to the scientific literature and the research results, sorted according to importance.²⁵

According to the Figure 1.2., which shows the research results of Latvian and Russian entrepreneurs, top 6 Startup Success Factors are:

1. Management skills of the founders and the team;

²⁵ Prohorovs Anatolijs, Bistrova Julija ,Ten Daria (2018) Startup Success Factors in the Capital Attraction Stage, Journal of East-West Business, Volume 25, pages 26-51

2. Specialized education and skills;
3. Founders previous experience
4. Direct communication with business angels and investors;
5. Managerial support
6. Financial potential (Startups objectives and investment target)

Although as shown in the figure investors have different top 6 startup success factors:

1. Management skills of the founders and the team (same as entrepreneurs opinions)
2. Market size and growth rate, competition
3. Financial potential (same as entrepreneurs opinion)
4. Product characteristics and scalability (something that entrepreneurs didn't mention)
5. Founder's trustworthiness and reliability
6. Founders previous experience (same as entrepreneurs opinion)

Interesting to note that A.Prohorovs research results looked at success factors primarily from founders personality perspective, touching a bit to startups perspective with financial potential factors. But investors examined this question from both sides - product and company success and founders success. with 3 Top factors from product and company perspective (Market size..., Financial potential and Product characteristics as factors). From this research we can see that there are at least 3 perspectives of success factors:

- Founders personality factors that include founder contacts, experience, skills etc.
- Company factors that include companies potential, market size, industry.
- Product factors that include characteristics of a product, competitiveness.

Peru researches from National University of San Marcos, S.José, M.David in 2017 created a substantial Systematic literature review on critical success factors of Information Technology startups, which gives an overall look at startup success factors in academic literature. As mentioned, researchers identified a total of 1013 potential studies, where 21 factors were identified in the state-of-the-art study. They extracted the most appropriate 74 articles on this topic. Of the publications selected there were 21 statistically proven success factors have been identified, which are shown in *Table 1.2.*, where the factors that positively or negatively influence the (+) or (-) signs are identified respectively.

Id	Factor	Definiti	References
1	Experience in the industry of the founding team (+)	Founders with previous experience in the industry have a solid network of contacts that facilitate the development and growth of the company.	(Spyros & Nickolaos, 2012; Preisendorfer et al., 2012; Anh et al., 2012; Baptista et al., 2007; Bou-Wen et al., 2006; Colombo et al., 2004; Dautzenberg & Reger, 2010; Friar & Meyer, 2003; Gartner & Liao, 2012; Hyder & Lussier, 2016; O'Regan & Sims, 2008; Pugliese et al., 2016; Rojas & Huergo, 2016; Thiranagama & Edirisinghe, 2015; Wei-Wen, 2009; Yoo et al., 2012)
2	Previous startup experience of the founding team (+)	The entrepreneurial experience of the founding team facilitates the launch of the company and prevents the appearance of errors in its management.	(Van Gelderen et al., 2005; Song et al., 2008; Baptista et al., 2007; Bou-Wen et al., 2006; Colombo et al., 2004; Dautzenberg & Reger, 2010; Davis & Zweig, 2005; Friar & Meyer, 2003; Gartner & Liao, 2012; Kim & Heshmati, 2010; Pugliese et al., 2016; Mueller et al., 2012; Bocken, 2015)
3	Academic formation of the founding team (+)	It is the academic preparation in courses of management of the founding team, which has a positive impact on organizational growth.	(Van Gelderen et al., 2005; Baptista et al., 2007; Bou-Wen et al., 2006; Colombo et al., 2004; Dautzenberg & Reger, 2010; Davis & Zweig, 2005; Gartner & Liao, 2012; Hyder & Lussier, 2016; Pugliese et al., 2016; Rojas & Huergo, 2016; Thiranagama & Edirisinghe, 2015)
4	Technological/ business capabilities of the founding team (+)	Technological and managerial skills, aptitudes and knowledge required to gain competitive advantage.	(Garcia-Muiña & Navas-López, 2007; Groenewegen & De Langen, 2012; Yoon-Jun, 2010; Li et al., 2010)
5	Experience in R&D of the founding team (+)	In order to develop innovative products and/or services, the entrepreneurial team needs to have previous research experience.	(Baum & Silverman, 2004)
6	Entrepreneurs Experience in the management (+)	It is the experience of the entrepreneur in organization and general management of the resources necessary to bring success to the company. It also describes the degree of	(Groenewegen & De Langen, 2012; Van Gelderen et al., 2005; Anh et al., 2012; Arruda et al., 2013; Baptista et al., 2007; Bou-Wen et al., 2006; Cannone & Ughetto, 2014; Hyder & Lussier, 2016; Strehle et al., 2010;

		competencies (attitudes, skills or abilities) of the entrepreneur to meet the objectives and goals.	Thiranagama & Edirisinghe, 2015; Yoo et al., 2012; Fini et al., 2009)
7	Leadership of the entrepreneur (+)	They are the characteristics and abilities of the entrepreneurial leader to lead the organization	(Schneider et al., 2007; Wei-Wen, 2009)
8	Gender of the entrepreneur (+)	It is the participation of men or women as founders of the company.	(Becchetti & Trovato, 2002)
9	Age of the entrepreneur (+)	It is a relevant factor for the development of a business. The probability of undertaking decreases as the individual's age increases.	(Oakey, 2003)
10	Initial motivation of the entrepreneur (+)	The motivation of the founder represents his commitment to the project or idea of company.	(Greve & Salaff, 2003; Reynolds & Miller, 1992)
11	Government support (+)	It is the financial sponsorship of the government, through seed capital, in the initial stage of startup, are also support programs made, especially for startup.	(Lasch et al., 2007; Chorev & Anderson, 2006; Anh et al., 2012; Arruda et al., 2013; Davis & Zweig, 2005; Pugliese et al., 2016)
12	Venture capital (+)	It is the entrepreneurial capital that consists of financing startup in the phase of growth with high potential and risk.	(Bocken, 2015; Grilli & Murtinu, 2014; Almakenzi et al., 2015; Bertoni et al., 2011; Colombo et al., 2010; Kim & Heshmati, 2010; Strehle et al., 2010; Yoon-Jun, 2010)
13	Level of competence	It is the intensity of competition between Startups within the same industry.	(Song et al., 2008; Arruda et al., 2013)
14	Startup teams size (+)	It is the number of founding employees of the startup, it is considered that the bigger the size of the entrepreneurial team, the greater the talent.	(Song et al., 2008; Ganotakis, 2012; Baptista et al., 2007; Bou-Wen et al., 2006; Colombo et al., 2004; Dautzenberg & Reger, 2010; Gartner & Liao, 2012; Rojas & Huergo, 2016; Thiranagama & Edirisinghe, 2015; Gottschalk & Niefert, 2013; Joshi & Satyanarayana, 2014; Cannone & Ughetto, 2014; Strehle et al., 2010)
15	Organizational age (+)	They are the years of operation of the company from its creation.	(Haltiwanger et al., 2012)
16	Product Innovation (+)	Degree in which new innovative products and/or services are introduced.	(Almus & Nerlinher, 1999)
17	Location (+)	It is the geographic location of the startup in a given location, being closer to its suppliers and customers facilitates growth.	(Hormiga et al., 2011)
18	Dynamism of the environment	It is the high pace of changes in the external environment of the company.	(Timmons & Spinelli, 2004)
19	Science and technology policy (+)	Political authorities give laws for the development of science and technology.	(Scarborough & Zimmerer, 2003)

20	Clustering (+)	Group of interrelated companies that work in the same industrial sector and that collaborate strategically to obtain common benefits.	(Maine et al., 2010; Yoon-Jun, 2010; Mueller et al., 2012)
21	Partner (+)	It is a person or company with which an agreement, agreement or alliance is maintained.	(Sefiani & Bown, 2013)

Table 1.2. Factors that influence the success of the startup from literature review. Prepared by the author on the basis Santisteban José, Mauricio David, Systematic literature review of critical success factors of Information Technology startups²⁶

S.José and M.David in their literature review have identified 21 statistically significant startup success factors and next to each factor there are references to authors that have identified that specific factor in their research. As we see that most often identified success factors in the literature are these 5:

1. Experience in the industry of the founding team - Founders with previous experience in the industry have a solid network of contacts that facilitate the development and growth of the company.
2. Previous startup experience of the founding team - The entrepreneurial experience of the founding team facilitates the launch of the company and prevents the appearance of errors in its management.
3. Academic formation of the founding team - It is the academic preparation in courses of management of the founding team, which has a positive impact on organizational growth.
4. Entrepreneurs Experience in the management - It is the experience of the entrepreneur in organization and general management of the resources necessary to bring success to the company. It also describes the degree of competencies (attitudes, skills or abilities) of the entrepreneur to meet the objectives and goals.
5. Startup teams size - It is the number of founding employees of the startup, it is considered that the bigger the size of the entrepreneurial team, the greater the talent.

²⁶José Santisteban, David Mauricio (2017), Systematic literature review of critical success factors of Information Technology startups, Academy of Entrepreneurship Journal 23(2):1-23

1.4. Startup Success Factors defined by successful entrepreneurs

In literature researchers have really different angles on the success factors. And have different measures. So in order to understand startup success factors better it's important to look separately to successful Startup founders, who have achieved a very fast growth with their companies, meeting customer needs. It's important to look at the "source" of understanding of a startup success, which is the mind and experience of very successful startup entrepreneurs.

Markus Villig, Founder and CEO of Bolt, the fastest growing mobility platform in the world since 2013. Markus has created a very, very fast growing startup, which might mean that he has an understanding of why Bolt has achieved the success that it has. Although in keynote speeches, lectures and interviews, to the best of the knowledge of the author, haven't been identified startup success factors, but the essence of success factors can be extracted from few ideas and understandings, mentioned in In keynote speech on Slush 2019²⁷ and Slush2021²⁸:

- You have to genuinely produce enough value for a customer.
- Obsession with the customer and build the best product for the customers.
- Get back to the first principles, what customers want? Not look back at those big companies, what they are doing.
- In first 3 years we concentrated to get the business model right in one country. Focused how to get everything right in Tallinn. Figure out how to compete with Ubers of the world. When we figured out how to do it we quickly started to expand.
- It took 4-5 years of iterative learnings and failures, that we found the "recipe to work". But still to this day we recognize that markets are different.

²⁷ Collison John, Villig Markus, 2019: Fireside Between the Founders of Stripe and Bolt: Building Global Companies, Slush. Available: ej.uz/az7v [Accessed:10.03.2022]

²⁸ Kuusi Miki (Wolt) & Villig Markus(Bolt): Winning In Fringe Markets | Slush 2021. Available: ej.uz/uyhk [Accessed:10.03.2022]

Miki Kuusi, Founder and CEO of Wolt, the one of the fastest growing food-delivery platforms in the world since 2014. Miki has also created a very, very fast growing startup, which means that his mind is a good source for startup success factors, although, to the best of the knowledge of the author, there haven't been a specific answer on direct question of startup success factors, but the essence of success factors can be extracted from few ideas and understandings, mentioned in In keynote speech on Slush2021²⁹:

- “our ambition was always to build the best product, the best service in the world”
- You want to build a world class product. A world class service. Because otherwise you will not be able to be competitive in the long-term.
- Successful teams are the ones that are talented, hard-working “learning machines”

Sam Altman, Entrepreneur, Investor and ex.president of Y Combinator, one of the most known and successful business accelerators in the world, who invested and helped to grow AirBnB, DropBox, Stripe, Twitch and many other ultra-successful startup companies. Sam Altman has helped and intimately followed the growth stories of multiple very fast growing startups, which might mean that he has the understanding of startup success factors - or what it takes to create a fast growing startup. The essence of success factors can be extracted from few ideas and understandings by Sam Altman, mentioned in speech in Stanford University, 2018³⁰:

- Building a great team, picking the right market and building a great product, is the most important thing you do.
- Most important thing is that degree of which you are successful approximates the degree to which you build a product that is so good people spontaneously tell their friends about.
- If you can build a product that is so good that people spontaneously tell their friends about - you have done the 80% of the work.
- Spirit in the founders: “We’re going to figure this out” is very important.

²⁹ Kuusi Miki (Wolt) & Villig Markus(Bolt): Winning In Fringe Markets | Slush 2021. Available: ej.uz/uyhk [Accessed:10.03.2022]

³⁰ Altman Sam (2018) - How to Succeed with a Startup. Sam Altman, President of Y Combinator, shares his thoughts on how you can succeed with a startup. Y Combinator Startup School Available: <https://ej.uz/94b4> [Accessed: 10.03.2022]

Kevin Hale, Entrepreneur, Investor and partner of Y Combinator, organisation that was mentioned previously. Being a partner in Y combinator and a successful entrepreneur, we can also extract the essence of startup success factors of Kevin Hale lectures in Y Combinator startup School, 2018³¹

- Definition of a startup in YC. That's a company that is designed to grow very quickly.
- If you are not trying to build a company that grows very, very fast. Than you are just building a company, thats a small business.
- Startup Idea is basically a hypothesis. It's a hypothesis of why a company can grow quickly.
- Ideal problems for a business are (according to investors): millions of users. markets growing 20% a year. "right now" problems, problems that adds up to billions. Need to use multiple times per day.
- Problem: what is the setting that allows the company to grow quickly.
- Solution: what is the experiment you are running within those condition to grow quickly.

Paul Graham, Entrepreneur, Investor and founder of Y Combinator, organisation that was mentioned previously. Paul Graham with his experience growing companies with Y combinator has developed unusually clear thoughts on building companies. We can also extract the essence of startup success factors Paul Grahams article on Startup = Growth³²

- A startup is a company designed to grow fast. Being newly founded does not in itself make a company a startup. Nor is it necessary for a startup to work on technology, or take venture funding, or have some sort of "exit." The only essential thing is growth. Everything else we associate with startups follows from growth.
- The growth of a successful startup usually has three phases:
 - There's an initial period of slow or no growth while the startup tries to figure out what it's doing.
 - As the startup figures out how to make something lots of people want and how to reach those people, there's a period of rapid growth.

³¹ Hale Kevin (2018). Y combinator Startup School - How to Evaluate Startup Ideas (gives impression from investor point of view), Available: ej.uz/3hau [Accessed:12.03.2022.]

³² Graham Paul (2012), Startup-Growth, personal blog. Available on: ej.uz/2eqy. [Accessed:30.03.2022.]

- Eventually a successful startup will grow into a big company. Growth will slow, partly due to internal limits and partly because the company is starting to bump up against the limits of the markets it serves. [5]
- A good growth rate during YC is 5-7% a week. If you can hit 10% a week you're doing exceptionally well. If you can only manage 1%, it's a sign you haven't yet figured out what you're doing.
- The best thing to measure the growth rate of is revenue. The next best, for startups that aren't charging initially, is active users. That's a reasonable proxy for revenue growth because whenever the startup does start trying to make money, their revenues will probably be a constant multiple of active users.

Gustaf Alströmer, Entrepreneur, Investor and partner of Y Combinator, organisation that was mentioned previously. Being a partner in Y combinator, AirBnB Growth leader and a successful entrepreneur, we can also extract the essence of startup success factors of Gustaf Alströmer speech in Y combinator StartupSchool, 2018³³

- Product Market Fit is hard to measure. And hard to say if you have product market fit.
- You can use data to understand if you've made something people want:
 - 1. Identify the metric that represents the value my users get from my product
 - 2. Measure the repeat usage of that metric
 - Example. AirBnB Bookings on platform, Annually. Instagram active users, Daily. Lyft: Riders and weekly.
 - Example 2. Github retention: 80% after 1 month. 30% after 60 months.
 - Example 3. Doordash: 30% after 2 months. 21% after 20 months.
- Repeat usage is the best, most unbiased way to see how people like your product. See example in *Figure 1.3* and *Figure 1.4*.
- “Retention is the best way to determine product market fit”
- Other metrics like Registered users or Visitors are not good, because you can't tell how good your customers like you.
- Growth is important only than, when you have product market fit!!!

³³ Alströmer Gustaf (2018), Y combinator Startup School, - Growth for Startups Available: ej.uz/4x15 [Accessed: 12.03.2022]

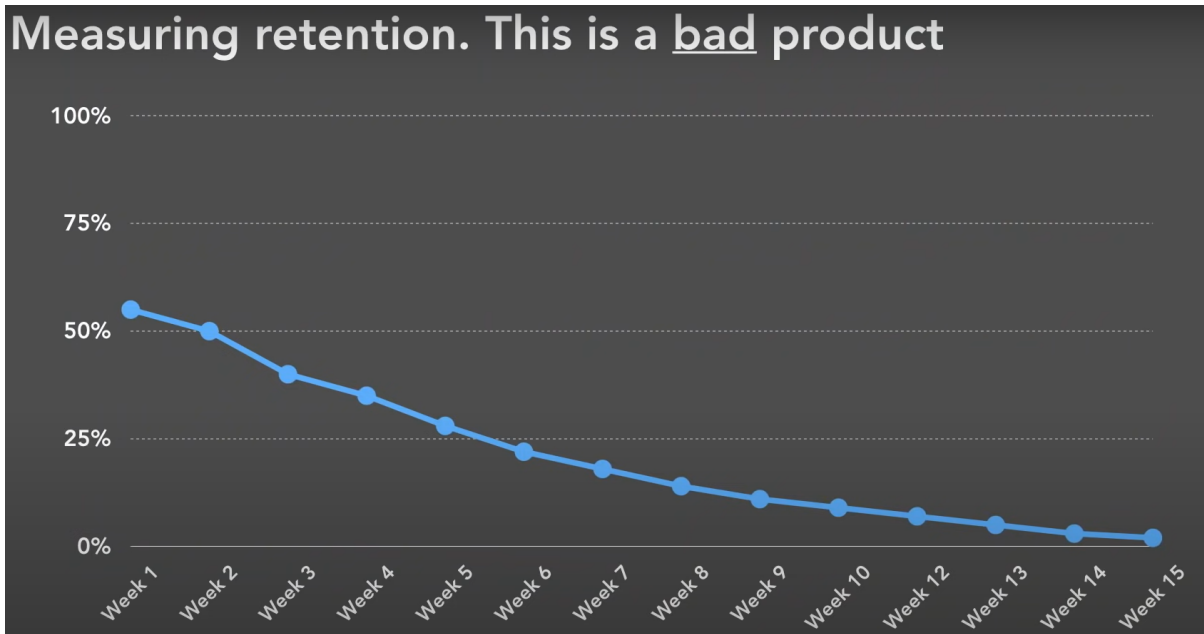


Figure 1.3. Theoretical customer retention per week of a *BAD PRODUCT* by Gustaf Alströmer

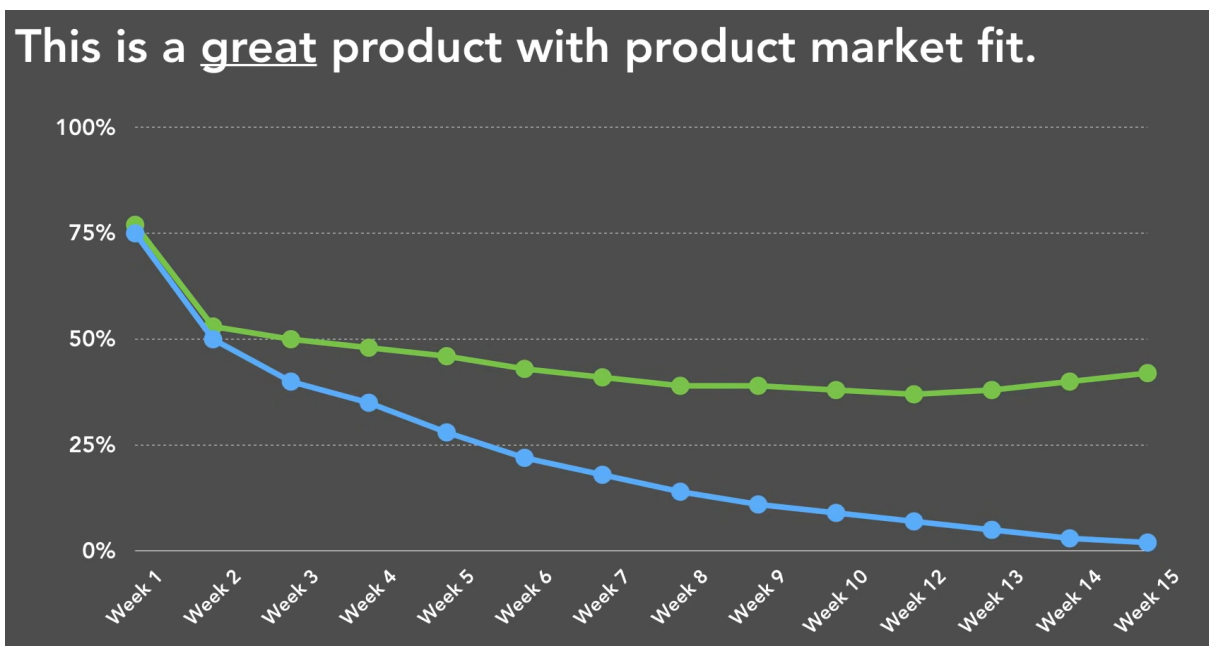


Figure 1.4. Theoretical customer retention per week of a *GOOD PRODUCT* by Gustaf Alströmer

More on Product-market-fit from different sources:

- Josh Porter of Rocket Insights says product-market fit is when “your customers become your salespeople.” He calls it the magical moment when three things happen:
 - Existing users recognize your product’s value.
 - They tell others about their great experience with the product.
 - Your company replicates the excellent experience for the new users.³⁴

³⁴ Kelly C.Donald (2021), How to Determine Product Market Fit in your industry, Hubspot. Available: ej.uz/vxqo, [Accessed: 05.04.2022]

- Forbes Magazine characterizes product-market fit as a hair-on-fire problem that an identifiable group of people have. It's a scenario in which a product satisfies customer needs in a way that alternative products do not.³⁵

Conclusion on startup success factors that are defined by successful entrepreneurs

Entrepreneurs tend to put more focus on the importance of the product and service, connected with the customer demand than academics in the academic literature. In many academic literature sources there has been little or no focus on product or service and their connection to customer need, but as we see from Markus Villig, Miki Kuusi, Sam Altman and Gustaf Astromer keynotes, product/service + demand (product-market fit) is the most important factor of success. Also this master thesis authors 15 year experience in startup entrepreneurship also believes that the success of a startup most importantly is connected with a product/service and how good is the demand to it. Which of course comes out from the teams performance and the market niche, where other factors come out and become important, as a great product and customer service is crafted out or created by people - company founders, the team, investors, where all of the other factors, mentioned by academic scholars, come out and become important.

These are the ideas together that entrepreneurs mentioned that will form the success factors:

- Get back to first principles. What do customers want?
- You have to genuinely produce enough value for a customer.
- Obsession with the customer and building the best product for the customers.
- Teams that are talented and achieve success are hard-working "learning machines"
- Find Product Market Fit - retention most important metric to identify and measure.
- Startup - is a company that is designed to grow very quickly.
- Bolt needed 4-5 years to find recipe to work. Door Dash 1-2 years.
- When you "figure stuff out" only than you start to expand.

Based on the ideas of the entrepreneurs in this chapter, master thesis author would extract the following success factors of a startup:

- Picking the right market
- Building a great team
- Building a great product that customers love (Achieving product market fit)
- Crafting out a scalable business model

³⁵ Kelly C.Donald (2021), How to Determine Product Market Fit in your industry, Hubspot. Available:ej.uz/vxqo, [Accessed: 05.04.2022]

Overview of theoretical part on startup stages and success factors

From the academic literature review and ideas from successful entrepreneur there is a difference between how academics look at startup success factors and how successful entrepreneurs look at success factors. Academics are focusing mainly on startup success factors connected with the founding team and it's ability, but very little to the product and demand, but practising entrepreneurs on the other hand, not any entrepreneur, but specifically who have created successful, high growth tech startups, in their speeches put the biggest emphasis on product and demand (product-market fit), although that is followed by the importance of the team and the market.

This chapter on theoretical aspects of startup success factors, specifically from academic literature, gives a vague impression on the factors or elements that create success in high growth startups. Which is awkward, because success is not something vague, but very specific and clear. So the success factors, based on the author's opinion, also should be specific and clear - and they should make sense on how to achieve success. So based on this literature review and conclusions the author suggests these success factors to be used in this master thesis research phase.

Based on the literature review, the author has identified these definitions and limitations for this master thesis:

What is a startup?

Startup is a small, nimble organisation that is characterised by rapid growth and innovation.

What is a success?

Startup success is described when a company has achieved a very, very fast growth, meeting customer needs. Fast growth is 5-7% growth per week, which is 12.6x to 33.7x per year according to Paul Graham³⁶.

Startup stage, focus

The author has decided to focus on Technology startups, and understanding the early/validation stage in this master thesis that includes achieving product market-fit, right before growth. In other words - in this stage startup tries to figure out what it's doing.

³⁶ Graham Paul (2012), Startup-Growth, personal blog. Available on: ej.uz/2eqy. [Accessed:30.03.2022.]

product-market fit, is the degree to which a product satisfies a strong market demand.³⁷

Also important to note that to understand this phase, the author will speak with companies that have already achieved product-market fit, where the proof for that will be high growth of revenues.

Success factors

The author of this master thesis based on the literature review has combined the success factors identified by successful entrepreneurs and the main factors in academic literature, sorting in the order that makes sense based on authors opinion:

- Picking the right market
 - Market size and growth rate
 - Competition
 - Financial potential
- Building a great team
 - Experience in the industry of the founding team
 - Previous startup experience of the founding team
 - Education of the founding team
 - Entrepreneurs Experience in the management
 - Startup teams size
- Building a great product that customers love (Achieving product market fit)
 - Product characteristics and scalability
- Crafting out a scalable business model

³⁷ Dennehy D., Kasraian L., O'Raghallaigh P., Conboy K., (2016) "From Science to Society: Innovation and Value Creation", R&D Management Conference, Cambridge, UK. pp1-2

2. CHARACTERISTICS AND ANALYSIS OF THE STARTUP ENVIRONMENT IN LATVIA IN INTERNATIONAL CONTEXT

According to the research tasks, in this chapter the author analyze startup environment in Latvia and define most successful startups that have achieved success, very rapid growth, in order to choose the best match for the interviews. Also it's important to look at Latvia as a startup ecosystem player in international context - in Baltic state context first of all and in Nordic and Eastern Europe context, which is the content for this chapter.

2.1. Startup Environment In Latvia in international context

According to the StartIn Latvia report there were 247 million € raised by Latvian startups in 2021, where the biggest investment deals were received by Printful - 107€ million, Lokalise - 44€ million and Printify - 44€ million³⁸. There is one Unicorn company, "Printful", where Unicorn is a startup that has reached a 1 billion dollar valuation.

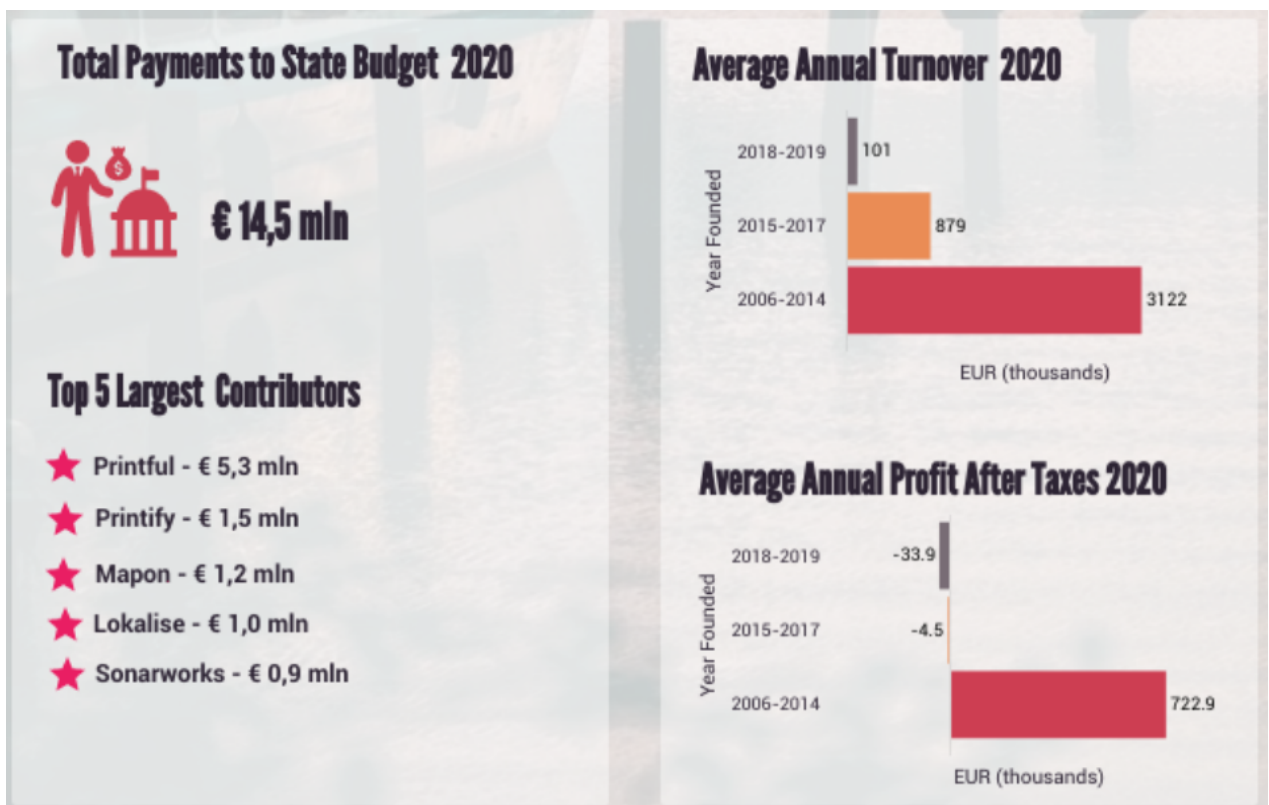


Figure 2.1. Infographic on Latvian Startup Ecosystem 2020 results, created by StartIn Latvia, data from Investment Development Agency of Latvia, Lursoft, Registrar of enterprise, State revenue service.³⁹

³⁸ Start In Latvia (2021), Latvian Startup Ecosystem report 2021. Available: ej.uz/6zq9 [Accessed:30.03.2022]

³⁹ Same Source

As we can see in the figure 2.1., the TOP 5 Latvian startup taxpayers are Printful, Printify, Mapon, Lokalise and Sonarworks, meaning that the more successful startups, the more benefits to the country and society in general. “Unicorn” startups in all countries are good motivation also to next generation of founders, who are motivated to achieve similarly high results as peers, plus from “Unicorns” create new generation of investors and bring in investment from other countries, because success breeds success.

Also Latvia has a Startup Visa regime, which allows companies from outside Latvia to get a visa in order to bring their startup or start their startup in Latvia. In 2021. there were 76 startup Visas given to individuals.

Latvia has also specifically developed startup law, which gives certain privileges to Latvian Startups to which was given to 59 startups in 2021.

According to Latvian Investment Development agency,⁴⁰

there are 4 business accelerators in Latvia:

- BuildIt Accelerator - Buildit is an accelerator that supports hardware and IoT startups in turning an idea into a tangible, market-worthy product. Their experience is based on 14 acceleration programs that have been run in Estonia and Latvia. The accelerator program is specifically designed for IoT and hardware startups according to the current situation. The accelerator has four intensive weeks where there are four main topics during the four months: what is needed for IoT / hardware startup to be ready to raise the Seed investment they deserve.⁴¹
- Commercialization Reactor - brings meaningful startups to the Global market and provides a feasible opportunity for everyone – scientists, startup founders, investors and industrial corporations. They are an international platform for science commercialization
- ⁴²OverKill Ventures - is a Nordic-based angel fund, who invest as early as angel investors do, however, have the resources, know-how and network to help startups get to product-market fit and scale from there. Up to €220K in pre-seed funding. Tailored coaching to get to product-market fit. For B2B tech startups in CEE & Nordics⁴³
- Startup Wiseguys - is a 5-months long on-site mentors-driven program taking place in Tallinn (Estonia), Riga (Latvia), Vilnius (Lithuania), Milan and Cosenza (Italy), or

⁴⁰ Latvian Investment Development Agency (2022), Startup Fact Sheet, Available: ej.uz/xbfk, [Accessed: 05.04.2022]

⁴¹ BuildIt Accelerator. 14 batches, 2000 applications, 80+ startups, 18 countries. Available: ej.uz/xz2f [Accessed: 05.04.2022]

⁴² Commercialization Reactor. About Us, Available. Available: ej.uz/fda8 [Accessed: 05.04.2022]

⁴³ OverKill Ventures. What is OverKill Ventures? Available:ej.uz/q765, [Accessed: 05.04.2022]

online. The accelerator is primarily sales and scaling focused with a fundraising component helping teams be in a position to raise the next funding round within 6 months. Accelerator has four verticals – B2B SaaS, Fintech, Cyber, and Sustainability.⁴⁴

According to Baltic Startup Scene report 2020, there were 487 startups in Latvia, which is 16.51% higher than the year before, but comparing with other 2 Baltic states - Estonia with 1051 startups and Lithuania 1039 startups, Latvia is left behind and have more than 50% less startups than neighboring countries.

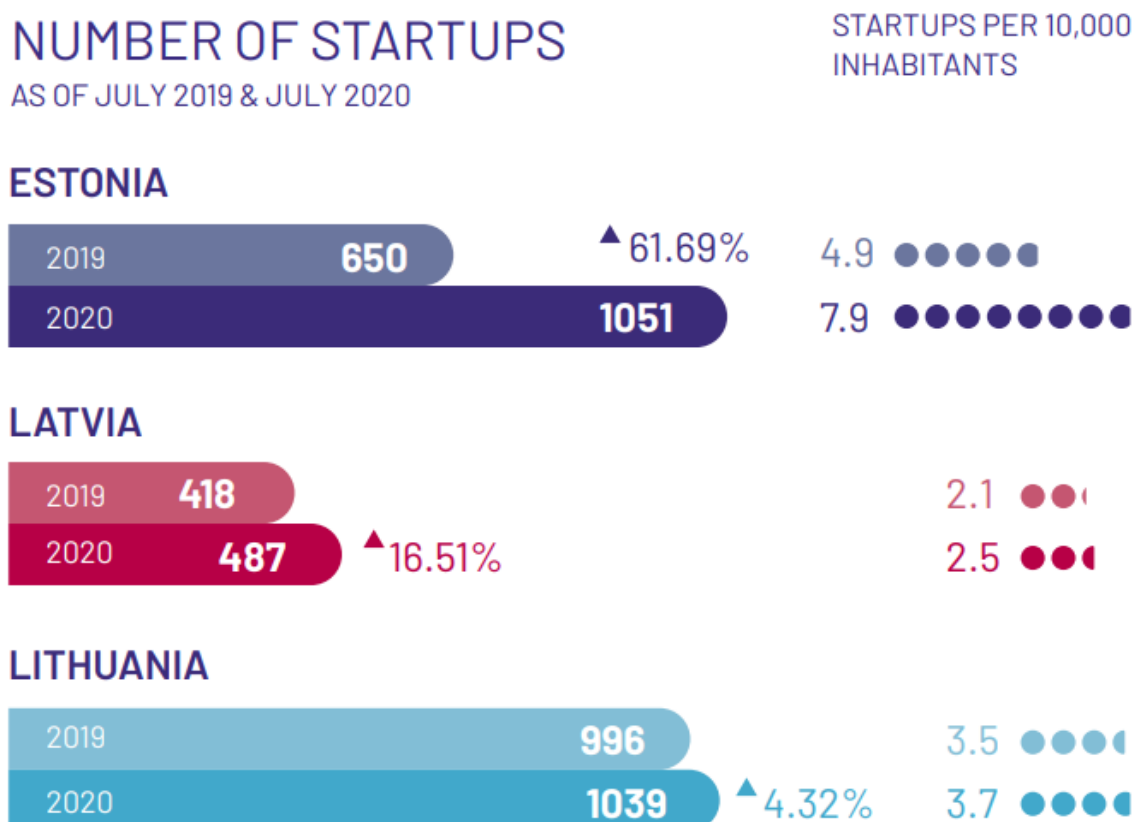


Figure 2.3. Number of Startups in 2019. and 2020⁴⁵

As seen in the figure Latvia has increased the number of startups for 16.51%, but both Estonia and Lithuania have more absolute number of startups and also per capita. While Latvia has achieved 2.5 startups per 1000 inhabitants, Lithuania achieved 3.7 startups and Estonia 7.9 startups per 1000 inhabitants.

In authors opinion reasons for Latvia being behind other neighbouring countries in terms of startup count, which also includes the number of Unicorns (startups, which have at

⁴⁴ Startup WiseGuys. About Program, Available: <https://ej.uz/3trb> [Accessed: 05.04.2022]

⁴⁵ Bojare Zane, Pianesi Fabio (2020), Baltic Startup Scene, 2020 Report, Startup WiseGuys, EIT Digital. pp.6-9

least 1 billion dollar valuation), the number of investments rised etc. We can see and evaluate that in the *Figure 2.4*.

FUNDING OVER THE LAST 7 YEARS (IN MILLIONS) AND YOY CHANGE

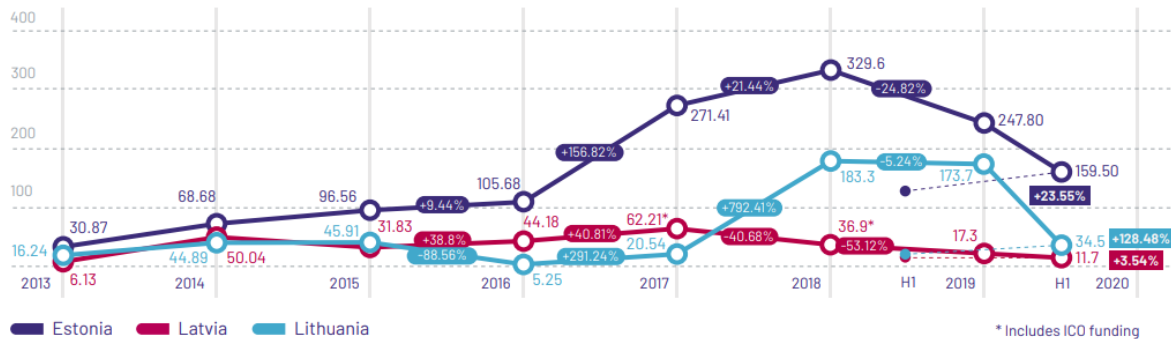


Figure 2.4. Investments in Baltic Startups from 2013. to 2020⁴⁶

The investment levels in Latvian startups are very poor comparing with other Baltic countries, showing that Latvian founders, government and startup ecosystem in general is doing something worse than sister countries. The levels of investment in startups is the indicator of health and quality of startup companies, because investors will choose only good investment opportunities to invest in. And this graph gives a clear impression that Latvia has poor quality of startup companies in comparisson. This shows that in Latvia any effort, including this master thesis research to identify success factors in order to build startups “smarter” is an important effort. Because Latvian startup ecosystem should do more.

⁴⁶ Bojare Zane, Pianesi Fabio (2020), Baltic Startup Scene, 2020 Report, Startup WiseGuys, EIT Digital. pp.9

To evaluate Baltic startup “quality” from the prism of investments, let's look at investments in Central and Eastern Europe (CEE) and Nordic countries in the *Figure 2.5. and Figure 2.6.*

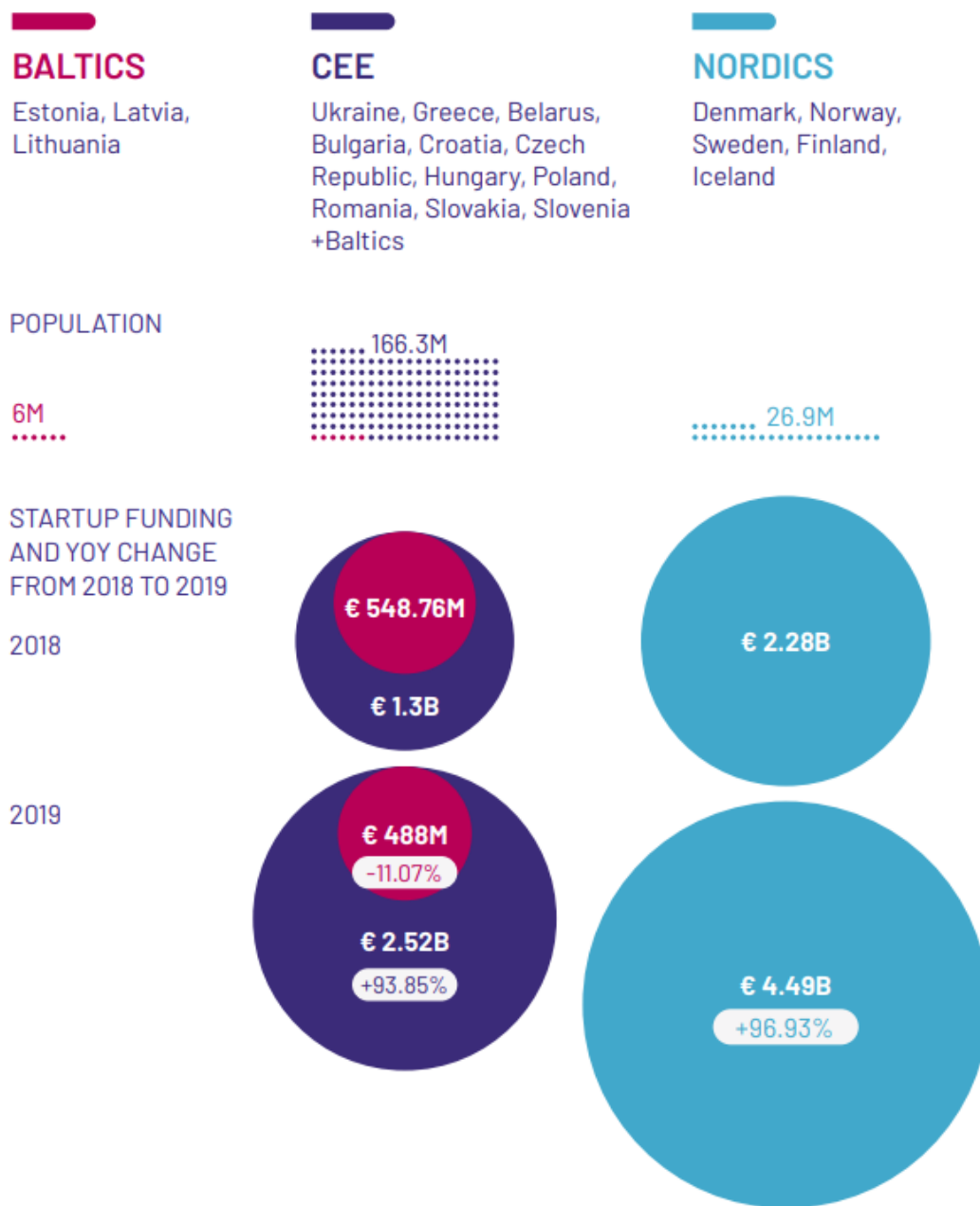


Figure 2.5. Investments in startups in CEE and Nordic countries in 2018 to 2019⁴⁷

As seen in the Figure Baltic countries is showing better investment in startup results than other CEE countries, but comparing with Nordics is lagging behind. And using the same argument as previously that investors with their investments evaluate the “quality” and “competitiveness” of startup environment, than Baltics have better startup success results than other CEE countries, while Nordic countries have better results. In order to go deeper and evaluate CEE countries, let's look at *Figure 2.6.*

⁴⁷ Bojare Zane, Pianesi Fabio (2020), Baltic Startup Scene, 2020 Report, Startup WiseGuys, EIT Digital. pp.9

FUNDING PER CAPITA IN THE CEE COUNTRIES, 2019

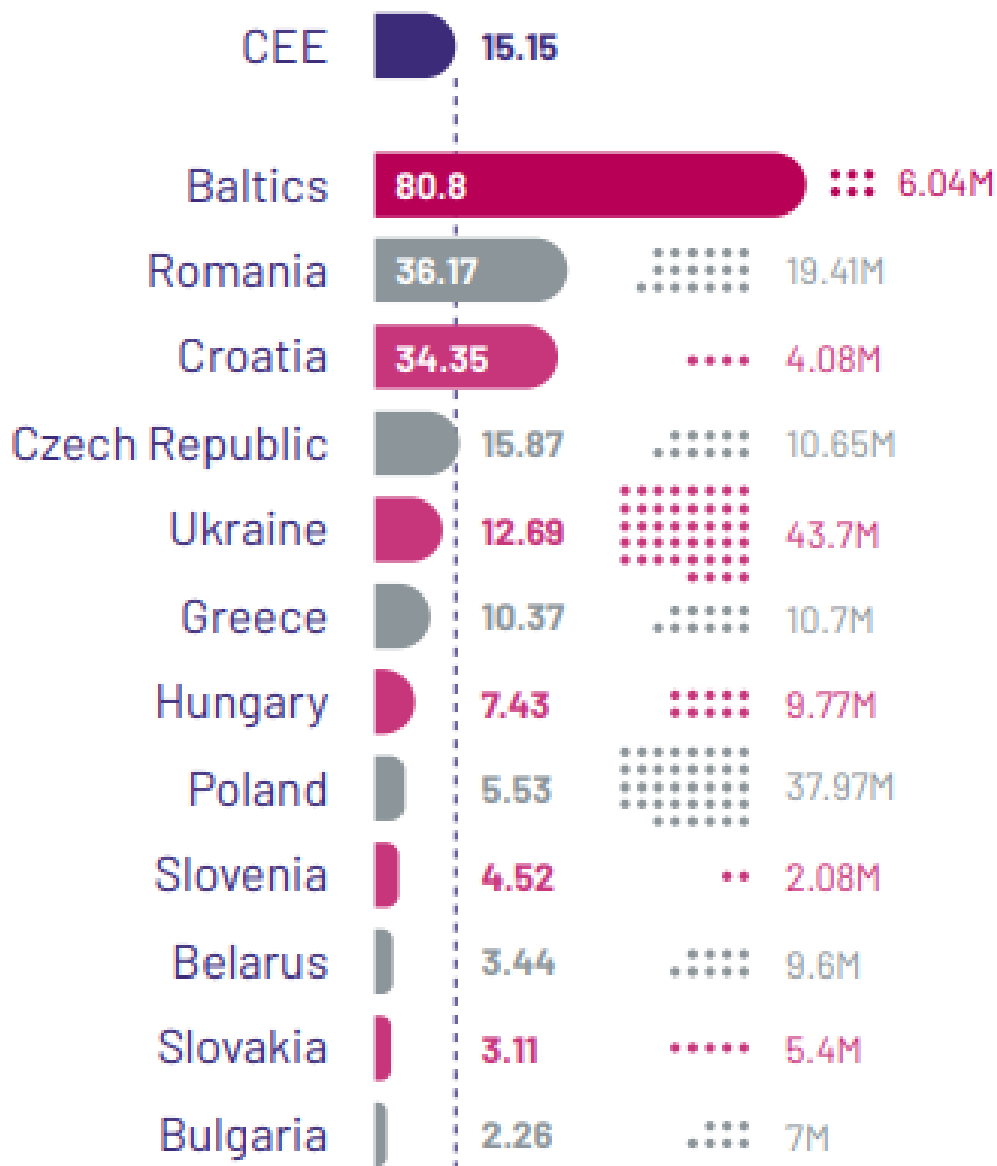


Figure 2.6. Investments in startups per capita in CEE countries in 2019⁴⁸

To put these numbers in context with specifically Latvia, in 2019 Latvia had 418 million euros invested in startups, which is 17.3 per capita, meaning that Latvia have better results than all other CEE countries, except Lithuania, Estonia, Romania and Croatia. But still from the leader country perspective, Latvia have to invest more in startup success. Which shows and increase the importance for this master thesis results. Because if correctly done and usable, it can add benefit to increase the quality of startups in Latvia.

⁴⁸ Bojare Zane, Piansi Fabio (2020), Baltic Startup Scene, 2020 Report, Startup WiseGuys, EIT Digital. pp.9

2.2. Most Successful Latvian Startups

The data availability on Latvian High Growth Startups is very limited, but the author of this master thesis has used one of the leading Latvian startup media journalists Andas Asares interpretation of Lursoft 2021 report on fastest growing tech companies in Latvia in 2020 and multiple other sources like Financial times report on Europe's fastest growing companies in 2022, 2021 and 2020, looking only on Latvian companies and Lursoft annual reports. Based on this information these 23 fastest growing Startups in Latvia were identified. Also before looking at the data, it's important to mention that some sources, like Lursoft and Inc Magazine evaluate the growth rate in 1 year, while Financial times look at growth across 3 years. The data is shown in *table 2.1.*, in the order from the highest yearly turnover to lowest.

Rank	Name	Growth rate	Turnover, million €	Founding year	Founders
No info	Whimsical, SIA	From 0 to millions of users in 3Y	No info, but rised \$30M	2017	Kaspars Dancis, Schoeffel Stephen
#1355	Printful	80% YoY	191	2013	Davis Siksnans, Lauris Liberts
#30	SunFinance	2899.26% in 3Y	121	2017	Toms Jurjevs, Emils Latkovskis
No info	JOOM, SIA	779% in 3Y	110	2016	Iļja Širokovs, Jurijs Ivanovs un Iļja Rubins.
#896	Mogo Finance (Eleving group)	171,9% in 3Y	80	2012	Aigars Kesenfelds
No info	DelfinGroup, AS	127% in 3Y	21.6	2009	Evertovskis Agris, Kesenfelds Aigars
#846	Industry Service Partner	184,6% in 3Y	12.2	2015	Aigars Ločmelis
No info	SIA IPS Media	188% in 3Y	9.8	2015	Emīls Pakārkļis
#231	Discover Car Hire	649,2% in 3Y	8.3	2013	Dmitrijs Zaznovs, Artjoms Bolsakovs
No info	SetupAd	515% in 3Y	7.73	2015	Goberis Povilas,

					Panders Toms
#32	SIA "Printify Development"	567% YoY	7.1	2015	James Berdigans, Artis Kehris, Gatis Dukurs
No info	Infogram, SIA	156% in 3Y	4	2012	Uldis Leiterts, Raimonds Kaže, Alise Semjonova
No info	Lokalise, SIA	8171% in 3Y	3.4	2017	Ustīnovs Nikolajs
#838	Sonarworks	186,1% in 3Y	2.6	2012	Mārtiņš Popelis, Helmuts Bēms
#20	ITissible SIA "Matrixify.app"	659% YoY	2.35	2014	Veide Jeļena Veide Māris
No info	Azeron, SIA	No info in 1Y	1.9	2019	Imants Daigins, Jānis Kūlbārdis, Aļģis Laureckis, Inga Vanaga
No info	Giraffe360, SIA	2488% in 3Y	1.8	2016	Mikus Opelts, Madars Opelts
No info	Gamechanger Audio, SIA	661% in 3Y	1.6	2016	Krūmiņš Ilja, Dubovskis Didzis, Kaļva Kristaps, Meļķis Mārtiņš
No info	Light Space Technologies, SIA	450% in 3Y	0.9	2014	Ilmars Osmanis
No info	Nordigen Solutions, SIA	285% in 3Y	0.8	2016	Bernāns Roberts, Mesters Rolands
No info	Juro Riga, SIA	596% in 3Y	0.7	2016	Ričards Īans Meibejs, Pāvels Kovaļevičs
No info	SIA "Fitsypro"	3000% in 2Y	0.6	2018	Maris Avotins
No info	JEFF, SIA	5515% in 1Y	0.2	2019	Nīparts Toms

Table 2.1. Fastest growing Latvian Startups during at least 1 year of 2019-2021.

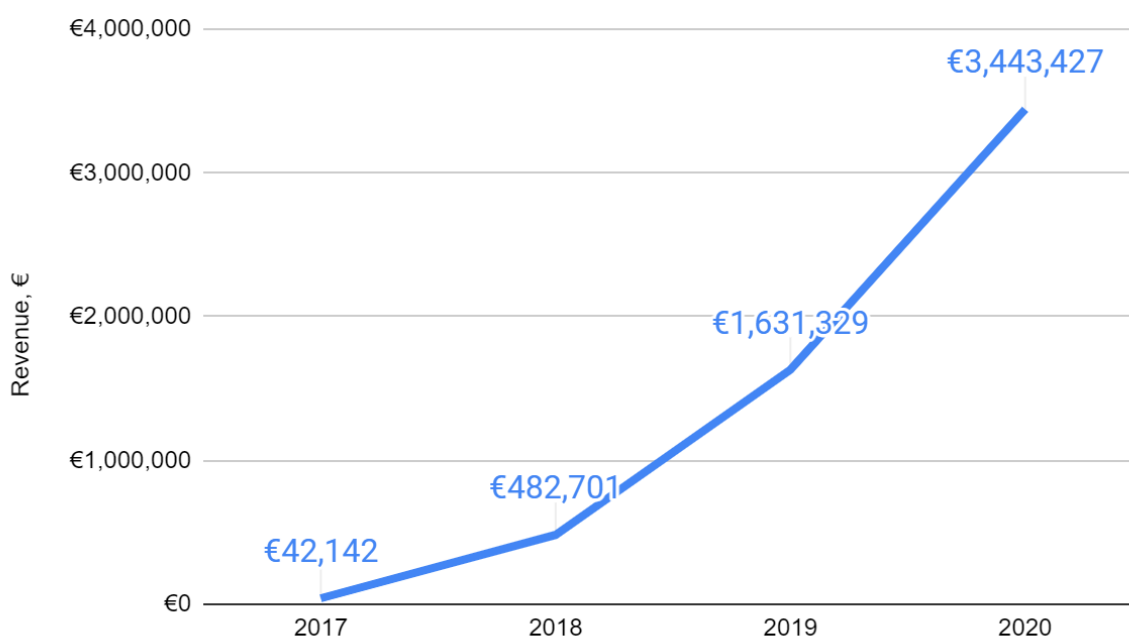
Source: Prepared by the author on the basis of Lursoft Annual reports, Lursoft 2021 report on Fastest Growing Companies in Latvia, Financial Times report on 1000 Fastest Growing companies in Europe, Inc. Magazine Report on Fastest Growing 5000 companies in US.

As we see in the table above, companies, who have already achieved meaningful turnover, one or multiple million euros, most oftenly will start to lower their growth rates, although some Latvian startups have managed to continue to grow fast. In order to better understand Latvian Startup environment, and that will identify the startup founders that are worth interviewing in the next chapter of this master thesis. So let's look at companies, who have shown the most rapid growth in combination with achieving high turnover.

Lokalise, SIA

Has achieved **8171%** growth rate in the 3 year period, since 2017, which is the founding year. Lokalise is a cloud-based localization and translation management system for agile teams. The company was founded in Riga, Latvia, and is a distributed company, all employees are remote workers. It has over 150 employees from over 25 countries. The company's goal is to eliminate the hassle of localization by providing tools to automate, integrate, and better manage translations. Lokalise is a better way for growth-minded businesses to expand their mobile apps, games, software or digital content into multiple languages.⁴⁹

SIA, Lokalise Revenue Growth Rate 2017-2020



⁴⁹ Lokalise, Meet Lokalise, Available: ej.uz/iyix [Accessed: 11.04.2022]

Chart 2.1. SIA, Lokalise Revenue Growth Rate, 2017-2020⁵⁰

Lokalise has achieved a 3 year growth rate of 8171%, which might signal that the company has achieved a product-market fit.

Printify Development, SIA

Has achieved **4595%** growth rate in the 3 year period, since 2017. The company was founded in 2015. Printify is a transparent print on demand platform that makes it very simple to work with multiple print providers all around the world to fulfil and send customer products to their customers. Meaning that an entrepreneur might sell their design T-shirts or other products, but fulfilment and shipping of the order will be done by Printify. Printifys mission is straightforward, they help merchants make more money with less effort.⁵¹

SIA, Printify Development, Revenue Growth Rate 2017-2020

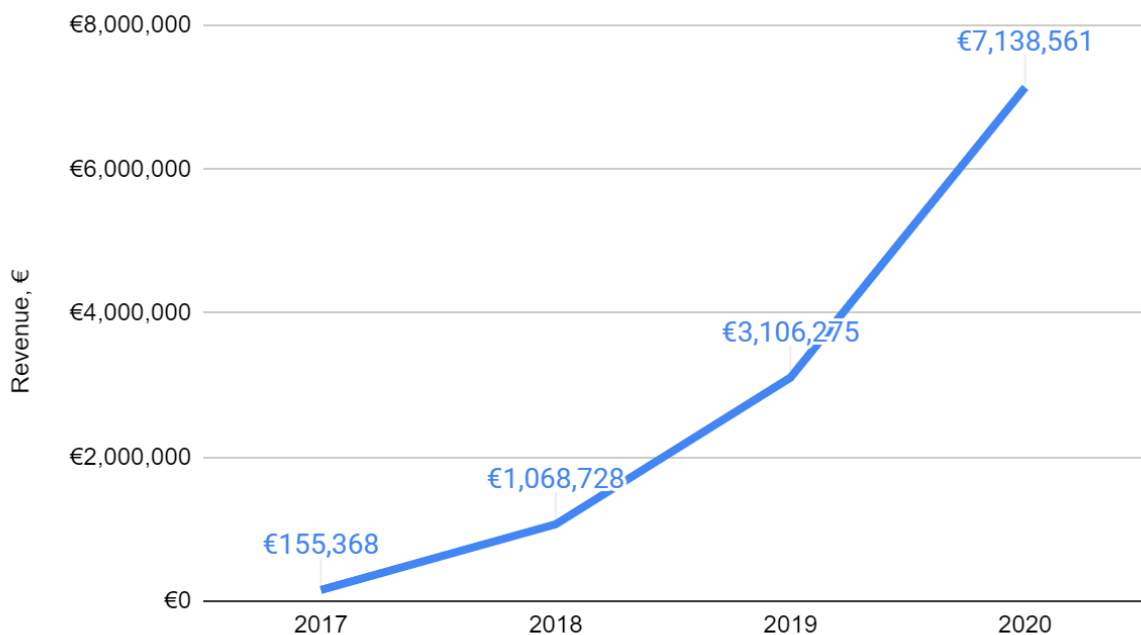


Chart 2.2. SIA, Printify Development Growth Rate, 2017-2020⁵²

As it is seen in the chart, Printify has achieved a huge growth rate of 4586% since 2017 going from 155,368€ to 7,138,561€, which is a proof that the company has achieved both - product-market-fit and a scalable business model that the team is capable to scale. This results in very rapid growth making Printifult a high growth startup from Latvia.

⁵⁰ Lursoft, Annual Report Database, SIA Lokalise

⁵¹ Printify, We help merchants make more money with less effort, Available:ej.uz/z26p, [Accessed: 11.04.2022]

⁵² Lursoft, Annual Report Database, SIA Printify Development

FitsyPro, SIA (Brand name: Fiqsy)

Has achieved **2885%** growth rate in the 2 year period, since 2018. The company was founded in 2018. Fiqsy is a mobility company, providing customers with electric cars, scooters, as well as spacious cargo buses. Customers can find and book these vehicles in the Fiqsy mobile app. Fiqsy is a Latvian company, which is for Latvian audience and Latvian cities, making mobility in and between them a little easier and more convenient. And more environmentally friendly.⁵³

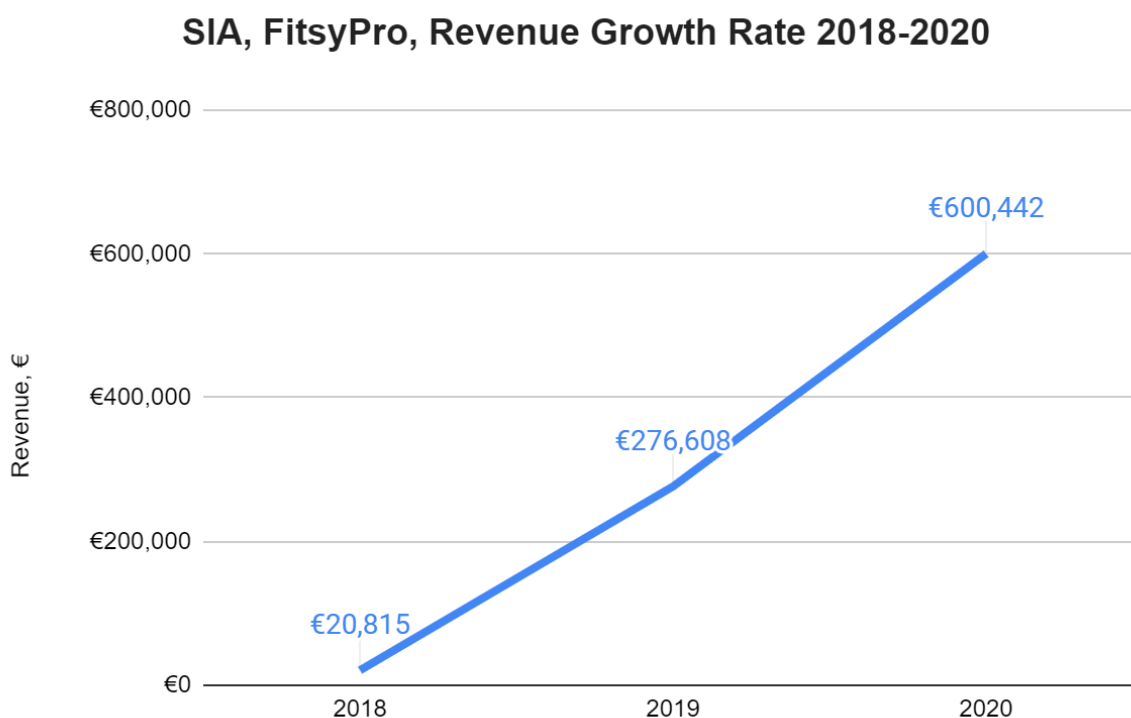


Chart 2.3. SIA, FitsyPro Growth Rate, 2018-2020⁵⁴

Fitsy is a very young company and hasn't achieved huge total revenue, but it is worth looking at as a candidate for high growth Latvian startups, because in the short 2 year period it has achieved a growth of 2885%, going from 20,815€ to 600,442€. If the company can manage to continue this growth rate, it can become the next high growth startup in Latvia. But the important point is if Fiqsy is capable of growing internationally as successful as in Latvia. But obviously the startup has achieved a fit between the product and the market.

Giraffe360, SIA

Has achieved **2488%** growth rate in the 3 year period. The company was founded in 2016. Giraffe360 has developed a technology subscribed to by real estate companies that makes it easy for them to create high-quality visual content for property ads. The product

⁵³ Fiqsy, About Us, Available: ej.uz/xcon, [Accessed: 11.04.2022]

⁵⁴ Lursoft, Annual Report Database, SIA FitsyPro Development

consists of a unique 3D room scanning camera that allows customers to get accurate layouts, high-quality photos and virtual tours at the touch of a button, as well as other digital content formats. The start-up service is currently used in 26 countries. The largest number of users is in the UK, where the company's sales office is located. The geographical outermost regions where Latvian-made cameras are currently located are the United Arab Emirates and the Cayman Islands⁵⁵

SIA, Giraffe360, Revenue Growth Rate 2017-2020

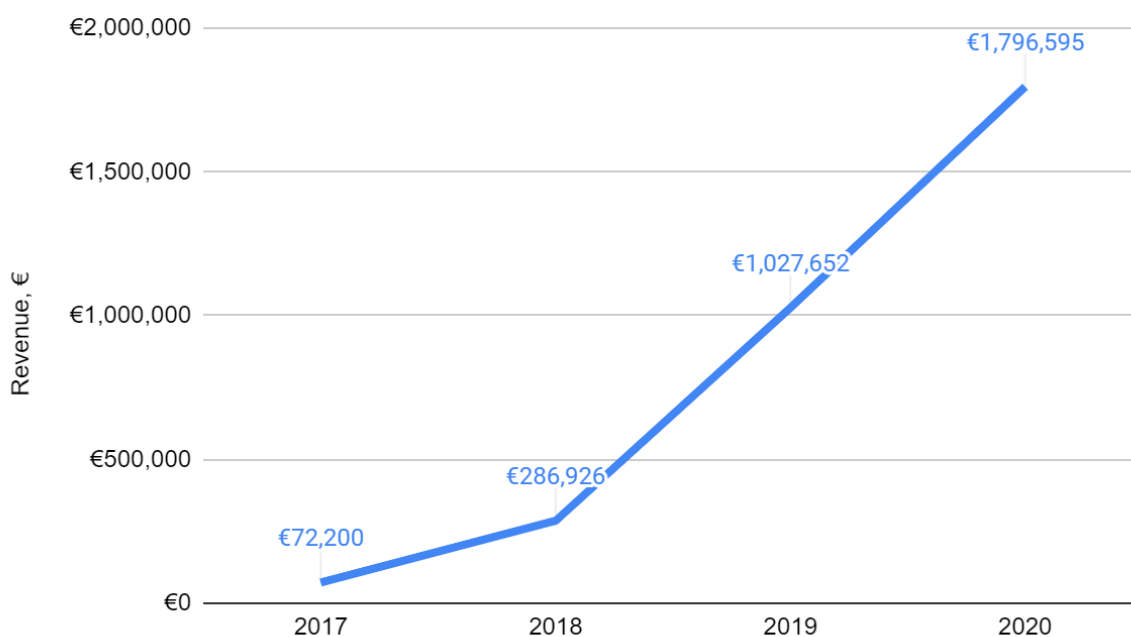


Chart 2.4. SIA, Giraffe360 Growth Rate, 2018-2020⁵⁶

Although this data doesn't show us the revenue level in 2016, which is the founding year, it is still visible that the company has achieved rapid growth. Together with the fact that company is operating in multiple countries, it has achieved product-market-fit and a scalable business model, scaling it globally.

ITissible, SIA (Brand name: Matrixify.app)

The Startup has achieved **1503%** growth rate in the 3 year period. The company was founded in 2014. SIA ITissible builds Shopify app "Matrixify" with just one guiding principle: to add incredible Value for those Shopify stores who deal with data. The company focuses on writing code, digging in the data, solving problems, nitpicking the details, and feeling happy whenever they make customer day better. Extreme focus to product quality and

⁵⁵ Labs of Latvia, Giraffe360 piesaista 4,5 miljonu dolāru investīcijas, Available:ej.uz/ac4i, [Accessed: 11.04.2022]

⁵⁶ Lursoft, Annual Report Database, SIA Giraffe360

meeting customer needs.⁵⁷

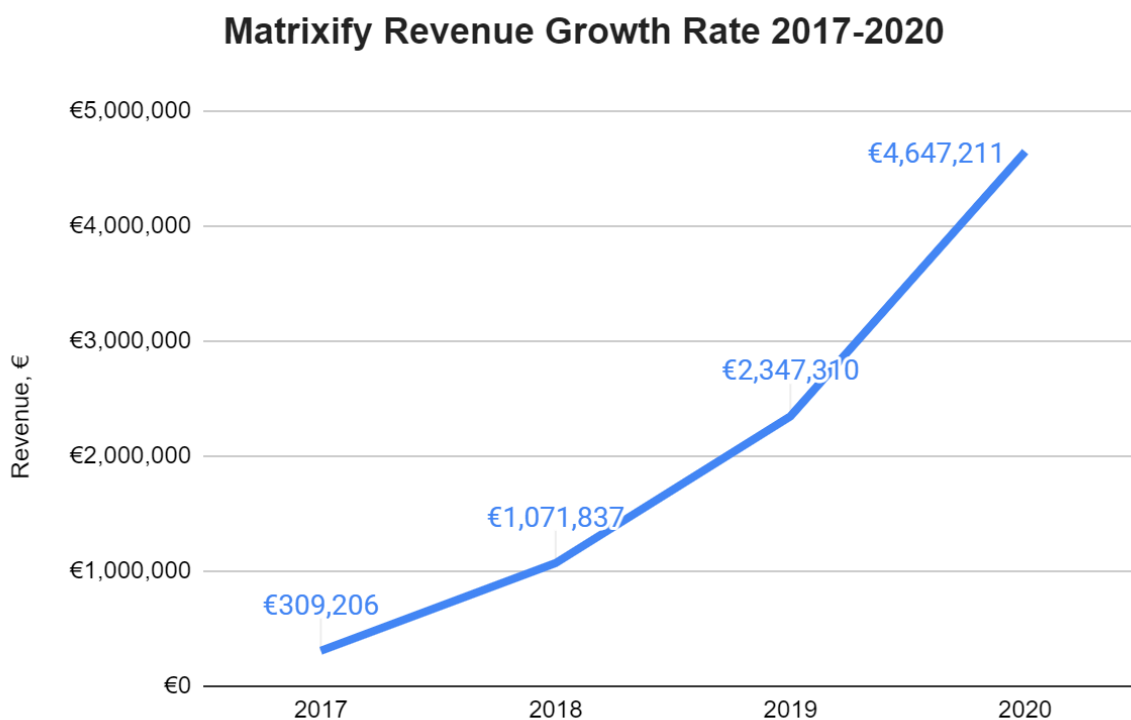


Chart 2.5. SIA, ITissible, SIA, Growth Rate, 2017-2020⁵⁸

Apparently Matrixify has grown since its founding year of 2014, but not in the level what it has achieved since 2017, when the startup has grown from 309,206€ to 4'647'211€. Also meaning that the startups team has managed to find the right niche, identified the specific problem and solve that problem in such a way that customers increasingly love it, which lead to rapid growth, achieving product-market-fit.

JOOM, SIA

The Startup has achieved **779%** growth rate in the 3 year period. The company was founded in 2016 and has achieved extreme growth. Since the beginning, reaching 110 million € revenue in 2020. It's important to note that "Joom" founders are Ilja Širokovs, Jurijs Ivanovs and Ilja Rubins, where Ilja has been the president of Odnoklassniki, one of the biggest social media companies in Russia. Joom is an international group of e-commerce and fintech companies founded in June 2016 in Riga, Latvia. It also has offices in China, Hong-Kong, the USA, Germany, Luxembourg and Russia. It currently includes five different businesses.⁵⁹

⁵⁷ Matrixify, About Us, Available: ej.uz/5xdw, [Accessed: 11.04.2022]

⁵⁸ Lursoft, Annual Report Database, SIA ITissible Development

⁵⁹ LabsOfLatvia, Parrobezu Tirdzniecibas platforma Joom, Available: ej.uz/ibub, [Accessed: 11.04.2022]

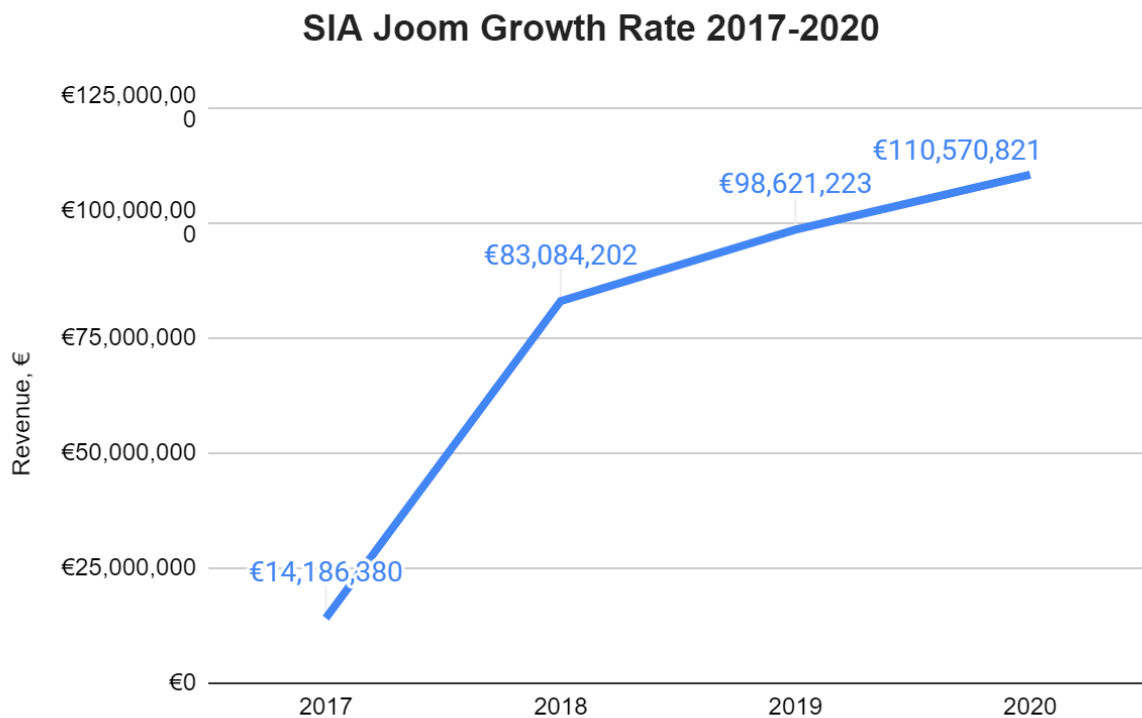


Chart 2.6. SIA Joom, Growth Rate, 2017-2020⁶⁰

From the chart it appears that SIA Joom growth rate has started to slow down, but looking at this data it's important to take into account that the company has been founded in 2016. Although we don't have data on the year 2016, but it is safe to say that the growth rate has still been extreme that in year nr. 2 the startup has already achieved 14 million € in revenue. But 3 year growth rate from 2017 has been 779%, going to 110,5 million € in revenue in absolute numbers. This growth show that the founding team has achieved product-market-fit and understands how to scale their business.

GameChanger audio, SIA

The Startup has achieved **661%** growth rate in the 3 year period. The company was legally founded in 2016. Gamechanger audio was practically started in 2015 by Ilja Krumins, Kristaps Kalva, Martins Melkis and Didzis Dubovskis. Their goal was to create a high-quality sustain and sostenuto pedal for all musical instruments. The first prototype of the PLUS Pedal was completed in December 2016 – right on time for the product's debut at the 2017 WNAMM show. The following year, the PLUS Pedal was brought to life through a successful crowdfunding campaign, and it became widely available in 2018. After that a follow-up product was also revolutionary "PLASMA Pedal". With a successfully crowdfunding

⁶⁰ Lursoft, Annual Report Database, SIA Joom

campaign as well. Today startups musical tools are used all over the world by musicians and artists of the highest calibre.⁶¹

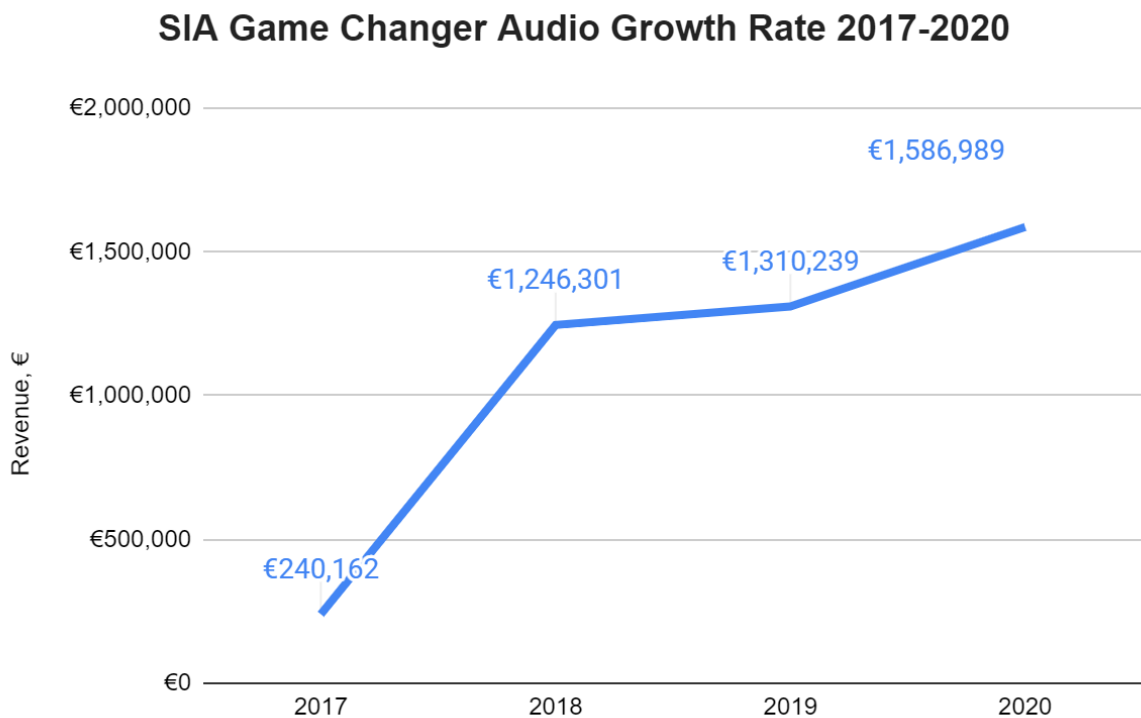


Chart 2.6. SIA GameChanger Audio, Growth Rate, 2017-2020⁶²

From the chart it appears that GameChanger Audio growth rate has started to slow down, maybe reaching the market potential or meaning that the company hasn't figured out how to scale this business model. Based on this data that shows growth and also the fact that the company reached multiple successful crowdfunding campaigns show that they might have reached some sort of product-market fit to the initial products. But the product market or companies business model has obvious limitations of growth.

SetupAd, SIA

The Startup has achieved **532%** growth rate in the 3 year period. The company was founded in 2015. The idea was quite simple - to help publishers earn more from advertising by improving programmatic solutions. The two founders Goberis Povilas and Panders Tomas has more than 15 years of combined experience in the advertising industry, with which they developed the first solution that was able to show incremental revenues. Today the startup has greatly expanded the offering in monetization and optimization tools for publishers. The

⁶¹ GameChangerAudio, About Us, Available: ej.uz/wn1c, [Accessed: 11.04.2022]

⁶² Lursoft, Annual Report Database, SIA GamChanger Audio

startup monetize and has a direct relationship with over 500 international websites and is one of the leading startups in Baltics.⁶³

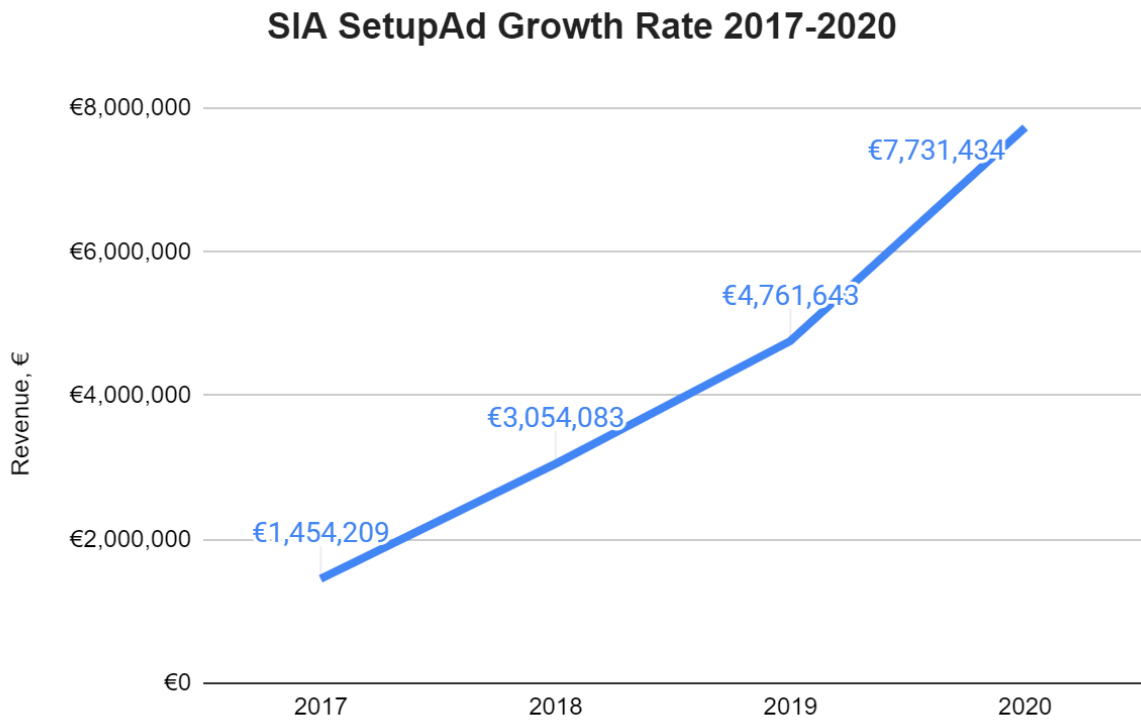


Chart 2.6. SIA SetupAd, Growth Rate, 2017-2020⁶⁴

SetupAd has achieved a solid and rapid growth, achieving 532% growth rate in 3 year period is good, as growing from 100'000€ to million € is easier than from 1 million to 10 million €, because achieving millions and growing that would mean that the team has found a product-market-fit and model that is scalable and are able to scale quickly. Which is the reason, how the startup has managed to grow from 1,454,209€ to 7,731,43€ in 3 short years.

Printful Latvia, SIA

The Startup has achieved **412%** growth rate in the 3 year period. The company was founded in 2013 in USA by latvian founders Lauris Liberts and Davis Siksnans, but in 2017 registered in Latvia ad Printful Latvia. Printful is an on-demand printing and fulfillment company that helps people turn their ideas into brands and products. Whether customers wish to create their own online brand or gift someone a personalized t-shirt, Printful can help their customers to get it done. Whenever someone— you or your customer—makes a purchase, Printful automatically receive the order, fulfill, and ship it.⁶⁵

⁶³ SetupAd, About Us, Available: ej.uz/6k7d, [Accessed: 11.04.2022]

⁶⁴ Lursoft, Annual Report Database, SIA SetupAd

⁶⁵ Printful, About, Available: ej.uz/73oi, [Accessed: 11.04.2022]

SIA Printful Growth Rate 2017-2020

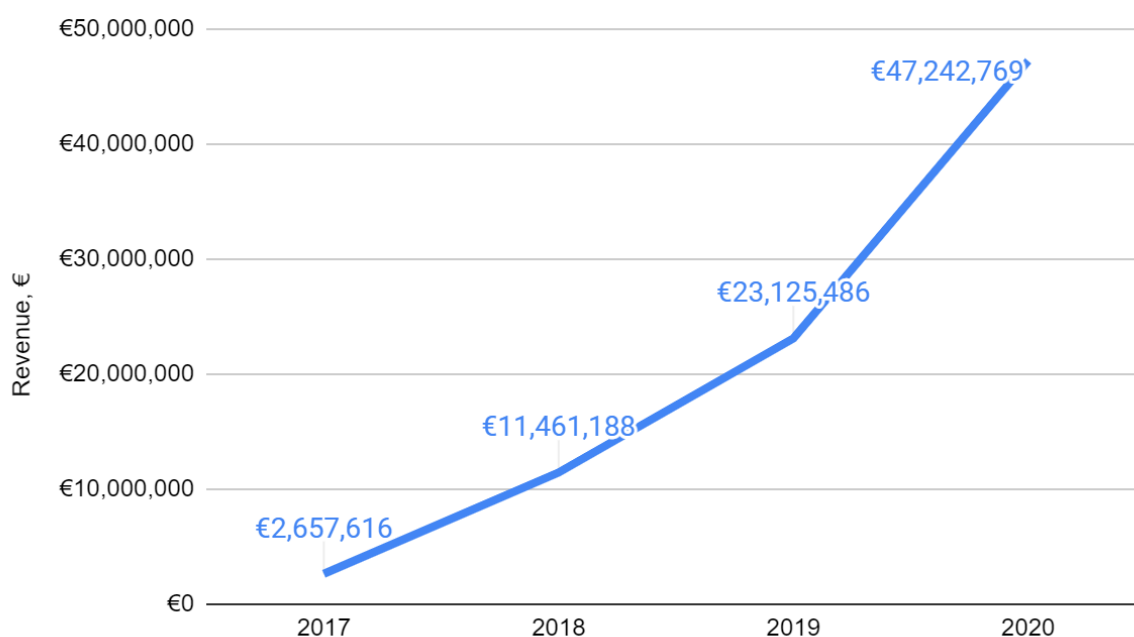


Chart 2.6. SIA Printful Latvia, Growth Rate, 2017-2020⁶⁶

Looking at this data it's important to understand that this income growth and total revenue in in Latvian company, while the main income is generated in USA company, where the Startup was founded in the beginning. Also important to note that Printful is first Startup Unicorn in Latvia, meaning that it is worth at least 1 billion dollars. And total revenue is over 100 000 000\$. But as the author of this master thesis does not have access to US company Revenue data, we can analyse Printful Latvia and see that Printful has reached multiple million in sales and managed to continue rapid growth, reaching 412% growth rate from 2,6 million € in 2017. to 47,2 million € in 2020. These numbers prove that Printful has achieved product-market-fit long time ago and has also been able to create a model and understand how to scale it globally around the world. Also important to mention that the Founder Lauris Liberts is an iconic startup founder in Latvia, as he has created Draugiem.lv and Draugiem group that includes 10s of successful startups. Which proves that he for sure understand the success factors of building a high growth startup.

Discover Car Hire, SIA

The Startup has achieved **246%** growth rate in the 3 year period. The company was founded in 2013 by Dmitrijs Zaznovs and Artjoms Bolsakovs. Discover Car Hire has come to serve locations around the world by working with both renowned international car rental

⁶⁶ Lursoft, Annual Report Database, SIA Printful Latvia

companies and trusted local car companies. The company offers all types of cars from more than 500 partners across more than 10,000 destinations throughout the world including one-way rentals. And throughout the company's history they have maintained one of the highest ratings in the car rental industry on Trustpilot.

Due to growth across all geographic locations (including France, Italy, Morocco, Portugal, Spain, and the United Kingdom), the company rebranded itself DiscoverCars.com in the fall of 2019⁶⁷

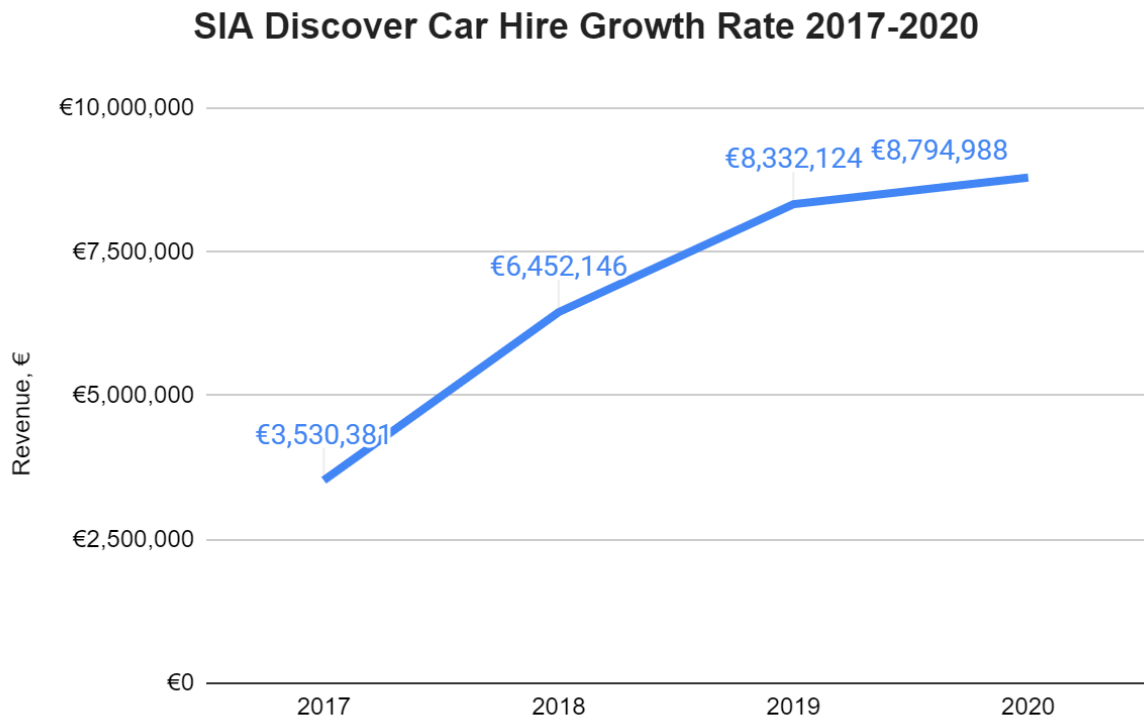


Chart 2.6. SIA Discover Car Hire, Growth Rate, 2017-2020⁶⁸

Although the growth rate of 246% is lower than other startups looked at in this master thesis chapter, but it is still impressive, taking into account that the growth is on millions of € of income, going from 3,530,381€ in 2017 to 8,794,988€ un 2020. The growth looks like slowing down, but still the high revenue and founding year if 2013 proves that the startup has grown fast, meaning that it has found product-market-fit and achieved rapid growth, meaning that the team understands and has found a model for growth.

⁶⁷ DiscoverCars, About us, Available: ej.uz/k61w, [Accessed: 11.04.2022]

⁶⁸ Lursoft, Annual Report Database, SIA Discover Car Hire

IPS Media, SIA

The Startup has achieved **188%** growth rate in the 3 year period. The company was founded in 2015 by Emils Pakarklis. IPS Medias brand is “ iPhone Photography School”, which is online education academy on taking photos and edditing with Iphone and profetional cameras. The project was created to help customers to apply timeless principles of great photography using the only camera that their customers have with them at all times - iPhone. With over 500,000 unique monthly visitors and in-depth tutorials created by some of the most admired photographers on Instagram, iPhone Photography School is the best place to master the emerging art of iPhone photography. ⁶⁹

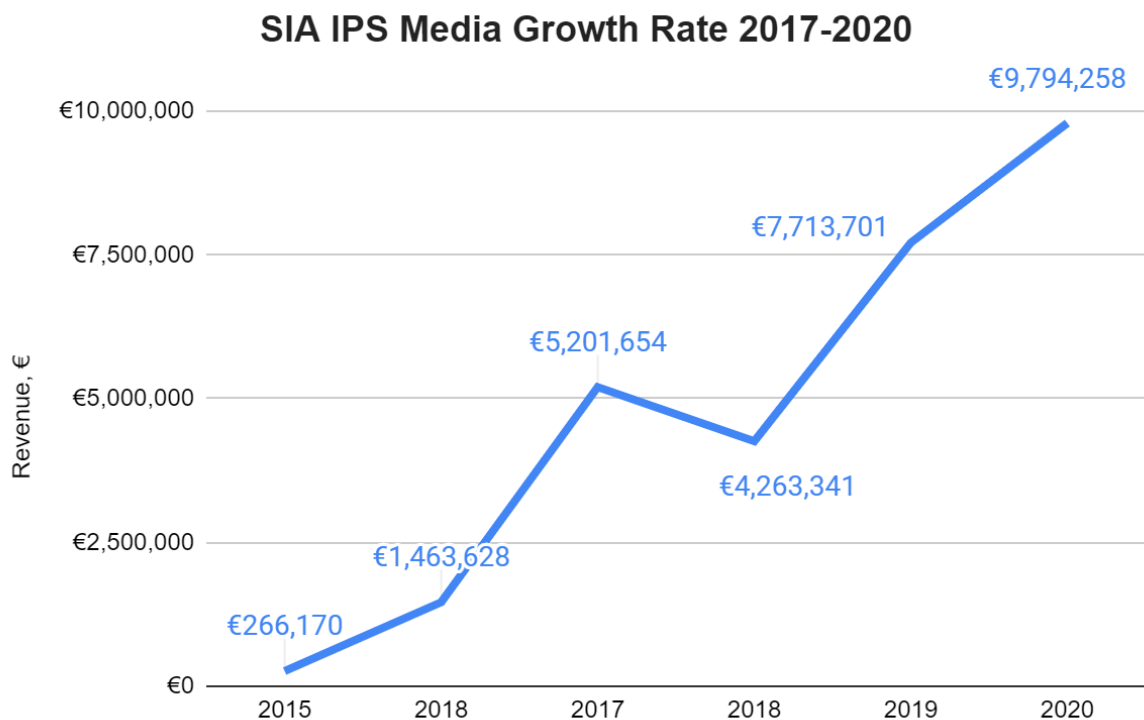


Chart 2.6. SIA Discover Car Hire, Growth Rate, 2017-2020⁷⁰

The company has shown a rapid growth, except in 2018, declining income from 5,4 million € to 4.3 million, probably, due to reaching limit of their product demand. Because in 2018. IPS media launched new products, which were meant for regular photography that helped to continue growth. Also noteworthy fact is that IPS media started it's first year with substantial income of 266'170€, which shows that the year when the company started it's business, the founder Emils Pakarklis has managed to find the product-market fit and also a scalable business model, which is very impressive.

⁶⁹ iPhonePhotographySchool, About us, Available: ej.uz/riq9, [Accessed: 22.04.2022]

⁷⁰ Lursoft, Annual Report Database, SIA IPS Media

3. SUCCESS FACTORS OF LATVIAN STARTUP ENTREPRENEURS - RESEARCH ON HIGH GROWTH TECH STARTUPS

3.1. Research Methodology

The author has used 3 research methods in this master thesis:

- Existing literature analysis of theoretical material analyzing startup success factors in existing research from scientific articles, keynote speeches and lectures;
- Statistical data analysis analysing statistical data about startup environment in Latvia in international context;
- Qualitative analysis with in-depth interviews of high growth startup founders with identical, open ended questions based on founders previous experience to all interviewers.

In order to identify and evaluate the most appropriate success factors the author believes that this understanding would come from founders and investors, who have achieved this success. More precisely would come from the experience of successful high growth startup founders and from investors, who have been successful in picking startups that have become high growth tech startups.

In order to achieve this, the research consists of interviews in 2 parts. In first part the interviewees have to sort the success factors, identified in the first chapter of this master thesis, according to their importance, and add comments if they would like to do any changes or add some additional factors as options. And in the second part the interviewees would go deeper in each of the factors in 3 levels: sharing their understanding of the factor, sharing, how to achieve the factor and sharing their historical experience in meeting that factor with their startups.

There have been 17 interviews of investors and startup founders, who have achieved rapid growth with their startups. The average interviewee startup yearly revenue is 35.5 million € and average age of the startup is 6.1 years. The range for interviewee startup revenue of 2021 is from around 1 million euro to 200 million euros, range for startup age is from 3 to 9 years.

All the interviewees in the beginning were asked to prioritise these success factors, based on their importance visually, using virtual boxes, but also they were able to take something away, merge, put factors next to each other if they were similarly important or if something meaningful was missing in the success factors, they had the chance to add a new factor after that. The goal for this was to visualise the interviews view on startup success factors, allowing to go outside the box, instead of following interviewers frame and

understanding. You can see the results of these factors in Appendix nr.3. The factors proposed in the interview, based on the literature research in 1st chapter of master thesis are shown in *Figure 3.1.*

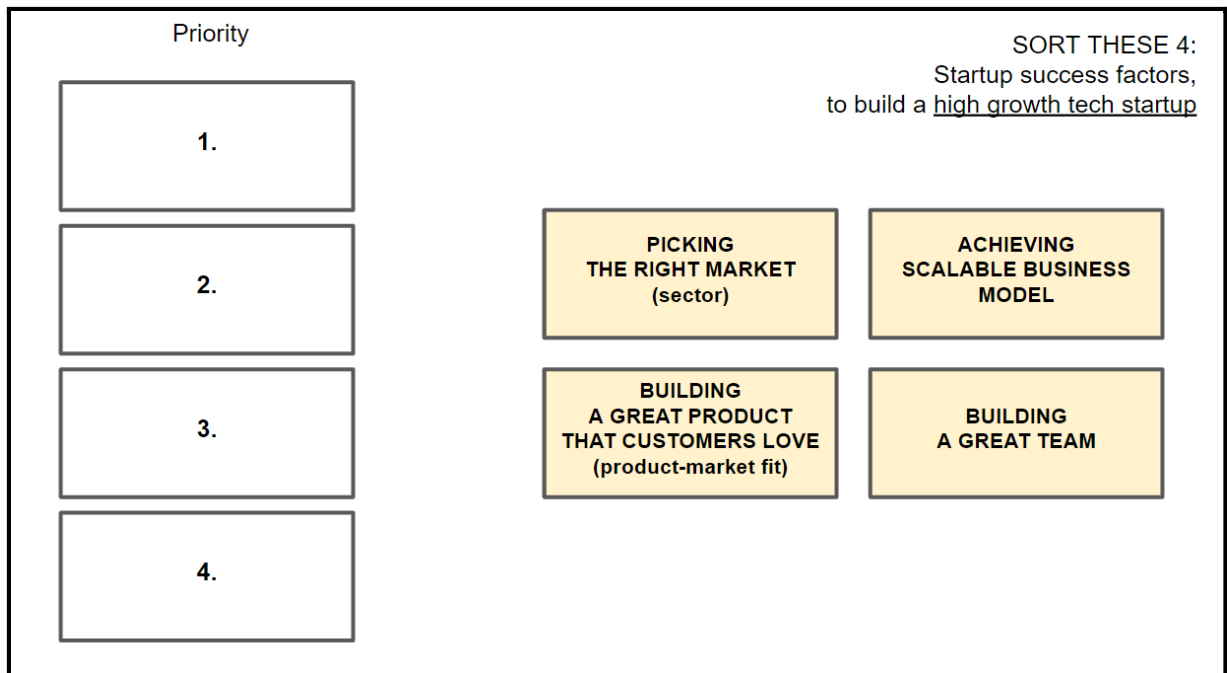


Figure 3.1. Success Factors and placeholders according to priority, used as interview first question.

The reason for choosing exactly qualitative interviews for understanding startup success factors, instead of quantitative research, because understanding of how to create a successful startup with high growth is not a common knowledge and there are only few people who have achieved it, where some of those people have achieved that by chance. That's why it makes more sense to try to catch the ideas of fundamental truth from interviews, based on the authors "sense" instead of finding the ideas that appear most frequently in the interviewee answers.

Based on the ideas and understandings shared by these very successful entrepreneurs and investors, the author has identified the Startup Success Factors, explained the essence of the factors and ideas on how to achieve them in the following thesis. Also as a usable result for investors and entrepreneurs, the author from this research results has prepared a high level roadmap for startups and for investors on success factors they should achieve/look for in technology startups with a high growth potential

3.2. Startup Success Factors - from customer need perspective

This chapter identifies startup success factors, based on literature review in first chapter and founder and investor interviews. The author goes into details for every success factor in the next chapters of this thesis.

Before analysing the results of startup success factors from interviews of founders and investors, which are the success factors, the priority and the importance of these factors, it's important to look at startup success from first principle perspective - from what customers want, as Markus Villig, founder and CEO of Bolt, said in the 2019 Slush keynote speech.⁷¹

The first principles on building a high growth tech startup from customer need perspective by authors understanding:

1. Customer Need or problem - is the fundamental principle of what customers want and the reason why anyone would decide to exchange their time and money to fulfill the need. Founders should first of all spend a lot of time to understand the problem deeply, clearly and better than others in order to create a compelling solution. So the the fundamental question to any startup would be:
 - what customers want? or what is their problem?
 - and
 - who is the customer?
2. Solution (Product) - to any need there is a good, bad or no solution. The fundamental knowledge is that founder have to build a solution that is substantially better than current alternatives. In order to solve the customer need, startup has to do 2 things simultaneously:
 - a. offer a solution to customer that is ideally substantially better or at least similar to alternative solution;
 - b. deliver the offer in the right time to customer, when he/she is ready and capable of buying/using the solution to solve the need;

Untapped business opportunity for an unsolved need is when there is a need, strong enough that customers are ready to exchange money for it, but no existing solution (like AIDS, cancer, etc.). Usually this happens when new technology opens up for entrepreneurs or an entrepreneur finds a new way of solving the problem.

Business opportunity for better solution for an existing need is when there is a

⁷¹ Collison John, Villig Markus, 2019: Fireside Between the Founders of Stripe and Bolt: Building Global Companies, Slush. Available: ej.uz/az7v [Accessed:10.03.2022]

need that has an existing solution, but an entrepreneur can offer a better or at least the same as the current one.

But in both cases this “offer” comes together with the “delivery to the customer” that the customer sees and understands the offer in the time, when he/she is ready to make a decision to buy/use the solution.

Founders have to understand, reading these first principles, that business opportunity has much wider spectre of making money than directly solving customer needs with a product. For example stock market arbitrage between different cryptocurrency brokers might be a business opportunity as well, but would not present itself as “solving the need”, would present itself as “market correction”, although there still would be the underlying need of buying/selling financial instruments.

3. Product-market fit - directly speaking this would mean that the solution (product) is offered to a customer to solve a specific need and the customer makes a decision to buy/use the solution by paying money to the startup rather than using any other alternative solution. And important factor for this first principle is - how strong is the Product-market fit or in other words, how many customers and how often the startup is able to sell their solution to solve their need in exchange of payment.

3.3. Startup Success Factors by founders of high growth tech startups

The interviews were made qualitative in order to find the “truth” of what are the success factors for building a high growth tech startup. The “truth” would mean that the interviewees would evaluate success factors and propose ideas that “make sense” according to authors understanding, but based on interviewee ideas.

The Proposed 4 Success Factors: Building A Great Team, Picking The Right Market, Building A Great Product That Customers Love (achieving Product-market fit), Achieving scalable business model were evaluated by the interviewees as follows:

- These 3 factors were approved by all of the startup founders and investors: Building A Great Team, Building A Great Product That Customers Love (Product-market fit), Achieving scalable business model.
- This 1 factor: Picking The Right Market, many interviewees identified that it is included automatically in Product-market fit factor or both Product-market fit and Achieving scalable business model factor. Although some entrepreneurs identified Picking the right market as one of the factors with the highest priority, but they were talking about this factor from the context of when the founder is choosing the market to enter.
- 6 interviewees chose “Building a great team” as the nr.1 priority, 4 interviewees chose “Building a product that customers love (product-market fit)” as the nr.1 priority, 3 put all of the factors in the same priority, saying that all of the factors are important and you have to have them all, or at least 3 of them in order to be successful.

Key ideas from interviews that are important to mention, when analyzing 4 factors:

- All factors are still connected - you need them as a checklist. That to have a good team requires a good product market fit and scalable business, because a good team will not be able to be hired without revenue. The team also needs constant progress, otherwise they get bored.
- In the end of the day you have to create a product that customers love and then you need to make it scalable.
- Market insights are super-important, but it is important to choose the right market that has the potential to have a scalable business model. That you won't make local cafeterias or other non-scalable businesses.

- The state of the market also is very important. Whether the market is growing, or is already mature, or going down. If a new product is developed in a growing market, then there is a higher probability of success and vice versa.
- When picking the right sector - the first is to figure out where you feel strong, where you have the highest interest to work in, what you would be happy to do for the next 10 years? And also, in which sector you have competitive advantage over other people?
- Evaluate if you have chosen a sector where you can become a super-mega big player, where you can reach the "next level". For example, A lawyer firm, an attorney can never achieve a 100 million dollar business because it is a labor intensive business, where you trade your knowledge and sell your time - you can't scale it up a million times.
- You have to look at success factors in context, because every business is unique. In one business the first priority will be the team to which will help to get all the other factors, in another business most important factor will be the product-market fit, which will bring in the team. For example, when creating online education course in english about your hobby, you need to get product-market fit (it is - revenue + retention) before you will be able to hire a team. But, when you are creating a cure for cancer, than you need the team, specialists who are capable to achieve that challenge, product market fit would come after.

“LUCK” The additional factors that were identified by interviewees, which were not present in the initial success factor model. Multiple founders and investors identified a new factor, which is “being lucky” or “luck” that would include all other factors to which the founders don’t have influence to. That might also include the right timing to enter the market, when customer need is “ripe” but the competition is low, but might also include million other factors. A good example of “luck factor”, which one of the founders gave for this with latvian success story companies: “Draugiem.lv” and “Printful”. Both companies were founded by the same people, both became ultra-successful, first one became at least 100 million \$ company and the other is a billion dollar company, but in between “Draugiem.lv” and “Printful” there are 10 years and 10s of other companies that were founded, but never achieved such a huge growth and success. So “luck” is very important success factor for creating a high growth tech startup.

And mentioning one more important idea from interviews about this “luck factor”: Success is when “luck” reaches “opportunity”. In practice, you are constantly creating the

conditions for you to succeed. You build things and at one point you are lucky, “the stars are aligned” and it happens.

Conclutions For Startup Success Factors After The Interviews

Based on the interviews and given ideas and understandings of very successful entrepreneurs and investors, who have achieved multi-million dollar worth, high growth technology startups, we see that we have consensus for these 3 factors:

- Building a great team
- Building a great product that customers love (product-market fit)
- Achieving scalable business model

This one factor is also included, but few entrepreneurs would identify this factor as part of “Product-market fit” and “Achieving scalable business model” as this factor would come as a bonus to the first ones:

- Picking the right market (sector)

And in addition to the main 4 factors, it was identified that there is one missing from the success factor list by few interviewees, and because it makes sense from authors perspective as well, we should include it in the list:

- Being lucky factor

Also very important - priority doesnt matter - a view that makes sense is that these factors shouldn't be looked at with highest or with lowest priority, because you weather have them all or you don't - if you have achieved all of these factors, you have higher chance of creating a high growth tech startup comparing with a situation when one or two are missing, although from business to business, from niche to niche this might differ, which comes first - the team, product market fit or choosing the right market. For example If you have the righ market, achieved a product market fit, but you have poor performing team, you will not be able to achieve scalable business model. Or if you have a great team, product market fit and a scalable business model, but you have chosen the wrong market which is in decay or very limited, you will also not achieve high growth. In both examples, of course, achieving scalable business model, product market fit and in the right market, migh generate the startup enough money to hire a team. Or in a bad market, but product market fit a great team might figure out, how to scale the product that doesnt scale and how to switch to market that is growing or much bigger, which would unlock the high growth.

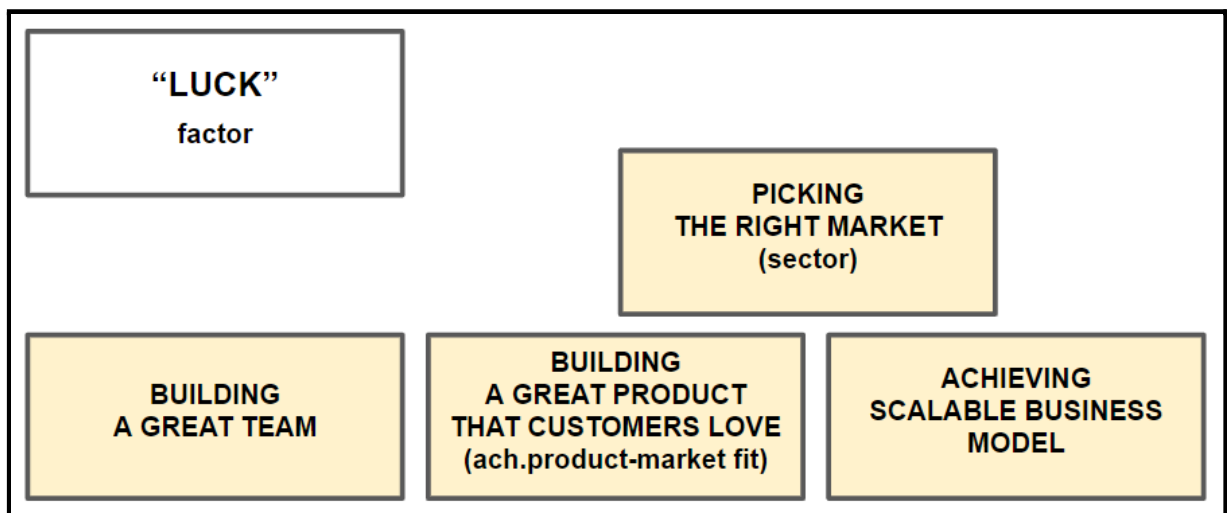


Figure 3.2. Updated Success Factors based on the interview results: 4 main success factors, plus 1 additional factor

Based on the interviews, the final success factors, which the author of this master thesis has identified are these 4 + 1, which are visible in *Figure 3.2*.

These 4 factors:

1. Building a great team;
2. Building a great product that customers love (achieving product-market fit);
3. Achieving scalable business model;
4. Picking the right market

are meant to be in the same priority level, although the last 3 that are shown together visually are connected and locked, because choosing the product that customers love will be strongly connected to market, which will be strongly connected to scalability potential.

And one additional success factor:

5. LUCK factor

added, which is not something that startup founder might influence, but it is important enough to take into account as “+1” success factor, but the author would not choose this as the main factor, because this is something that founders can’t influence. So that founders should know that this factor exists and is very meaningful, but as there is now rational way of doing something to be “lucky”, we will leave this factor transparent and “in heavens”.

This “luck” factor also shows that, if a startup founder intentionally has reached all of the 4 main factors, it doesn't mean that he or she will achieve success, and vice versa - when startup founder doesn't have most of the success factors as ingredients for his/her business doesn't mean that it will fail for 100%, because there is still a factor called the Luck.

In the following subchapters the author goes deeper into every one of the 4 main success factors, which were identified in this master thesis and approved by successful high growth tech startup founders and investors during the interviews. Although these factors are in a specific order further on, it's important to emphasise that the order doesn't matter, because you need to have all of the factors to achieve high growth tech startup. But, mentioning this, rarely you will have all of the factors in the beginning and always they would evolve, meaning that few strong factors in the beginning might lead to achieving all of the other necessary factors.

3.4. Picking the right market: Success Factor

Startup Success Factor "Picking the right market" for your product. Meaning is that the founders of the startup choose a market, which allows to build a high growth tech startup. That the market is big enough. The competition is open enough - the founders see and are capable in creating and delivering to customers a product that is better or at least as good as the competition. The market overall ideally is growing instead of stagnating or in a downfall. As mentioned by founders and investors in interviews this success factor would go together with product-market fit factor and creating a scalable business model, because when the founders make a decision on a product and find product-market fit, they are locked to a certain market and growth potential. For example creating a university in Latvia would limit the market and the growth to Latvian students. But creating an English based online university would limit the growth to all English speaking students around the world. The competition with university example in both markets would be different so the product would be different. Also the growth potential in both markets would be different based on the decision. But as "Picking the right market" is very broad factor, from interviews with founders and investors, we are able to identify multiple subfactors, which build up this main-factor.

Sub-factors from interviews

Before we talk about the sub-factors understood from interviews, it is important to note that these are not obligatory all subfactors of Picking the right market (sector) that are important to take into account building a high growth tech startup, but the ones identified from 17 founders and investors, who have created or invested in startups that have achieved high growth. And further, deeper research in subfactors for Picking the right market (sector) from other researchers would be very welcome.

- Maturity of the market

The market is growing, stagnating or declining. If the market is new and growing, than there is much bigger potential for success also with a startup. On the other hand, if the startup is successful, but working in a declining market, the startup will also have small potential for success. This argument was made by 2 investors from the interviews. For example, as told by one investor, they had a printed press business for accountants, which was very successful, generating very good profits, but was in the printing industry in 2000. As the market was in rapid decline, the company slowly declined as well till it bankrupted. Or on the other hand 3D printing in medicine is rapidly growing industry, which would give a growth potential to new startups, who choose this industry.

- Picking the right sector - right size, ability to compete, scalability potential

One interviewee - an anonymous startup founder, who have achieved 100 million euros in revenue in 3 years since foundation, in the interview argued that you have to choose the market, where you feel strong and where you see potential to become the leading player in a big industry. That would mean that the founder has to look at the leading competition, see how succesful they are in terms of revenue. Evaluate competitors value proposition, approach to customers, overall business proposition, which will be unique to every industry, and see how you can make and deliver a better or at least similar solution to the end customer in order to compete. If you as a founder will choose a sector, where you will not be able to become mega-big, achieving your “next-level”, than that will limit your growth potential already in the beginning. Of course, you have to start with first steps and first clients, where you will train, but the question is - do you have the potential to achieve the maximum? Can you become better or at least similar as the industry leader?

Another interviewee, a founder, who is in hardware industry, have achieved growth of 2400% in the last 4 years, and income of 1,8 million euros, gave a good point of his opinion how to understand that the market is big enough. He explained, when a funder is able to see that and how they are capable of achieving 100 million euors yearly revenue with the first use case (product). If they can't, than the market is weather too shallow (small) or the founders ability or fantasy is too limited.

Another founder and investor identified a key point for picking the right sector. That the founders should choose a sector that has the scalability potential instead of taking any other. For example law-firms is a good business, but the specifics of

law-firm services is that you exchange time for money - so it will always be limited to labor hours and hourly rate and will not be easily scalable. It can be a good business, but will not become a high growth 100 million euro company. Also the same thing with local cafeterias or bars. The concept would be that the founders willing to create a high growth tech startup should look at ability to create a technology, which they can replicate a million times not increasing labor hours proportionally.

Another founder, who have achieved 1.5 million euros in revenue with a hardware business and is working in a world-wide, but very specific niche said that he feels that he has reached the ceiling with his products, which is limited by the price point of the product and the audience. Also that it's impossible to scale the current product, because they can sell them only once. And in order to increase revenue, they have to develop and launch a new product to offer to their audience, which is not scalable. So the niche and the product specifics already from day one limits their potential to grow.

Investor, who as a partner has invested in 250+ companies, gave a good point that initially you would probably start with a decision on a huge market and you see that you have traction in a small sector in that market. And then you should create a product specifically to that sector, which will become your strong-hold. And later you will start to add features and make the product bigger and start scaling. So Initially you don't know what is the right sector-niche. You find that in the process of looking for the product market fit. Illustration of this idea in *Figure.3.3*.

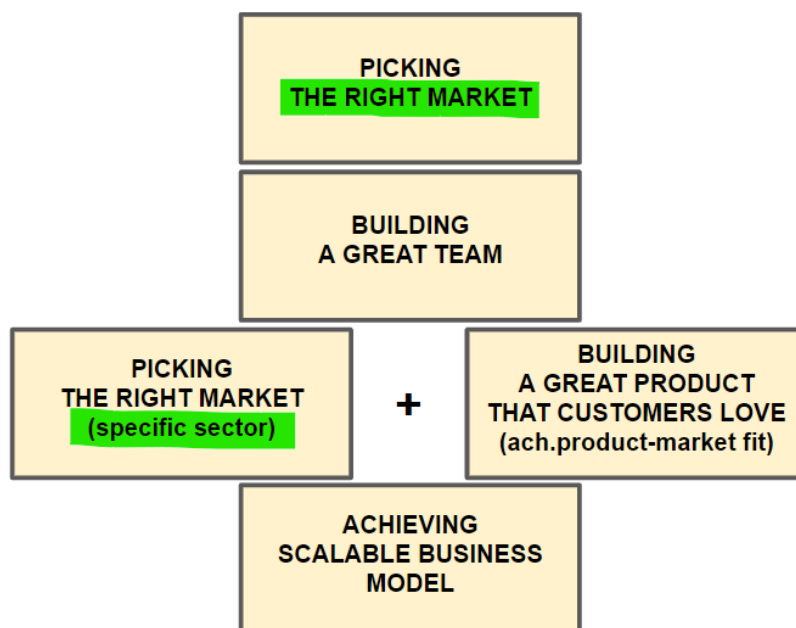


Figure 3.3. Identifying sector/niche with a product in a bigger market, illustrated with factors

- The right timing

Multiple founders added timing as a success factor, because the window for opportunity in the sector might be only for short period of time. And founders have to be quick to identify the opportunity earlier before the competition. For example an interviewee, founder who have achieved 10 million euros in yearly revenue in 6 years with their Iphone photography education product started in the year, when came out the first Iphone, which was capable of taking quality photography. Few years ahead the competition would not allow to repeat that success.

- Market and opportunity awareness

Another interviewee, founder, who has achieved 7,5 million euros in 6 years since foundation. Started in an advertising industry, where he had professional experience for more than 10 years, argued that he clearly saw a niche in the industry, which he saw and was open for multiple years. So the fact that he was an experienced specialist in that industry allowed him to be aware of the specific business opportunity, which other people didnt see because of the industry specifics. And the proof that it was a good opportunity was that after foundation of the company he reached a growth more than 100% per year and is still rapidly growing.

It is important to be both: interested and aware of the sector founders choose to start a business in, because first of all, they have to understand the market and the customer and second of all, have to notice a market opportunity, which they can use. This is why many successful people say: you should find, what you love, what is your passion. Because, when founders build startups with passion, genuin interest in the customer and industry, naturally they would achieve better results.

- Other important remarks about the factor Picking the right market.

Important point, mentioned by many interviewees were that the “picking the right market” comes together with “creating product that customers love (product-market fit)” and with “scalable business model”. Because founders have to see the opportunity for product in a specific market, and the product from day one would show, what is the scalability potential. So founders should look at these 3 factors together, focusing on the business opportunity, which consists of specific product, market and scalability potential, taking into account the sub-factors, mentioned here to identify the market potential.

3.5. Creating a great product that customers love (Product-market fit):

Success Factor

Product-market fit has different definitions, but the first principle of product market fit is that the solution (a product) offered to customers is solving a specific need and customers buy the solution by paying money to the startup rather than using any other alternative solution. As any other factor, achieving Product-market fit might have different metrics from business to business, but based on what founders and investors said in the interviews, the overall metric would be revenue and retention. Also the meaning of this Product-market fit factor would include the valuation - how strong is the Product-market fit or in other words, how important the solution is to the customers.


$$\text{PRODUCT MARKET FIT} \\ = \text{REVENUE} + \text{RETENTION}$$

Figure 3.4. Product market fit in formula, based on interviews.

This formula shows the essence of product-market fit. Of course there is more to it than just this small concept, but, using Pareto principle analogy, revenue and retention would give 80% of the answer if the startup has or doesn't have product-market fit and how strong it is.

Sub-factors from interviews

Before we talk about the sub-factors understood from interviews, it is important to note that these are not obligatory all subfactors of Creating a great product that customers love (Product-market fit) that are important to take into account building a high growth tech startup, but the ones identified from 17 founders and investors, who have created or invested in startups that have achieved high growth. And further, deeper research in subfactors for this Product-market fit factor would be very welcome from the side of other researchers.

- Founder-market fit

This concept of Founder-market fit comes from investor interviews and it resonates also with ideas from other interviewee answers. In order to be able to see business opportunity, the niche in a market, AND to execute opportunity into a successful startup the founders have to have genuine interest in the sector, insider knowledge of the sector. But, it depends. On top of these insight skills of the sector, founders would have to have also other important characteristics, described in the “Building a great team” part in this chapter. Most interviewees agreed that founders have to have experience in the industry professionally or/and as a customer with the problem in order to understand it good enough to be able to create and offer a competitive solution to the market.

One founder, who has achieved with his startup 130 million dollars income in 7 years since foundation, said that if you have not yourself identified and felt the problem on your skin, most probably it is not yours to take. But another founder, who has achieved similar growth rate and revenue with his startup stated that ofcourse, you will not be able to create a high growth tech startup in a sector, where you haven't had a business experience, but he stated that he is doing completely different tasks in his startup, as he did previously when he worked in the same industry for 10 years as a professional.

But on other hand many founders expressed confidence that it is more important to be able to learn quickly than previous experience in the industry, as the roles for a founder quickly change and the founder has to quickly learn and adapt.

One interviewed founders example from which we can learn about Founder-market fit. The founder was working in advertising industry for more than 10 years. And working with customers, he saw a very clear and open niche for a busines. He saw that there are many tools in advertising business, similar to google analytics, facebook pixel, yandex metrics, which a company, using in a specific way, could benefit by increasing revenues. But the problem was that most of the companies didn't use them. So he saw this as a clear business opportunity and started a company, which got customers, revenue and retention since day one. They key here is that the founder had the specific insider knowledge and understanding as professional and he could notice the opportunity and was capable of taking it.

The overall conclusion of this Founder-Market Fit subfactor is that the founders have to have knowledge and understanding of reaching the product market fit and the grit to take it.

- Proof for demand

Although metrics for product market fit would be also individual from business to busines, for example Business to customer (B2C) companies would have one metric, but

Business to business would have another, or Software business and Hardware businesses would have different metrics, still all of the founders would agree on that the company need to have revenue as a proof.

A good idea of understanding, how strong is product-market fit fundamentally is how bad the customer wants to use the product. It should be “Must have”! Founders solutions should find place in customers life. If you don’t have that you don’t have product market fit or you have weak product-market fit. A good metric and approach for, how bad the customers need the product is NPS or Net promoter score, which is a widely used market research metric that typically takes the form of a single survey question asking respondents to rate the likelihood that they would recommend a company, product, or a service to a friend or colleague. It also results in very high customer satisfaction. And as an example of this see the *Figure nr. 3.5.* and *Figure nr.3.6.*

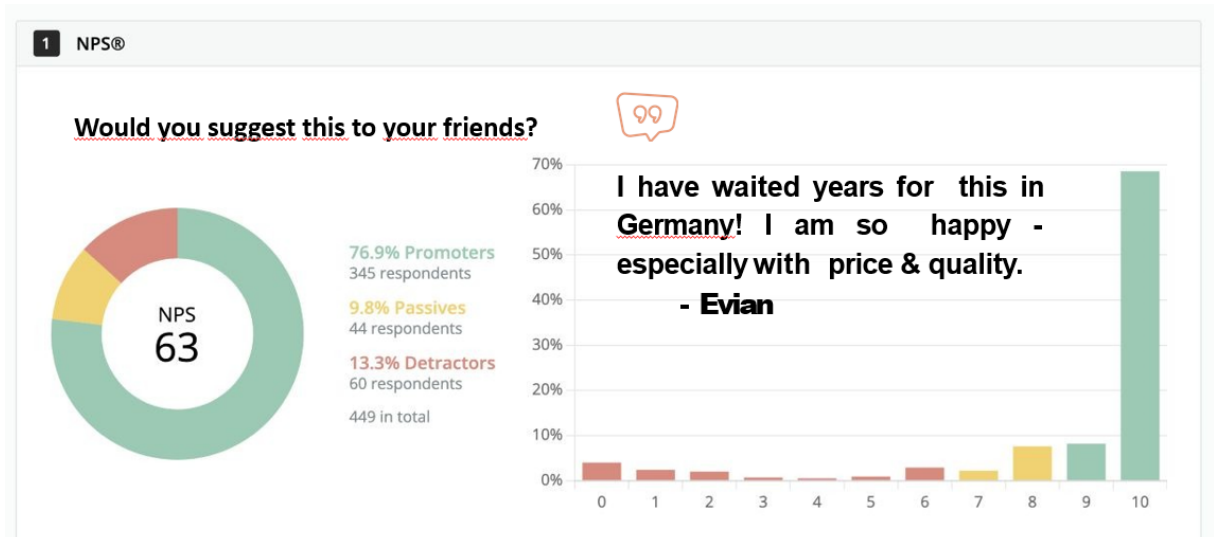


Figure 3.5. NPS Score example of a “must have” product from anonymous startup

In Figure 3.5. you can see that almost 80% of customers are willing to suggest the product to friends, meaning that the customers are coming from word of mouth. Which is a good example of NPS that shows one indication of very strong product-market fit.

Conversation ratings 🗨️

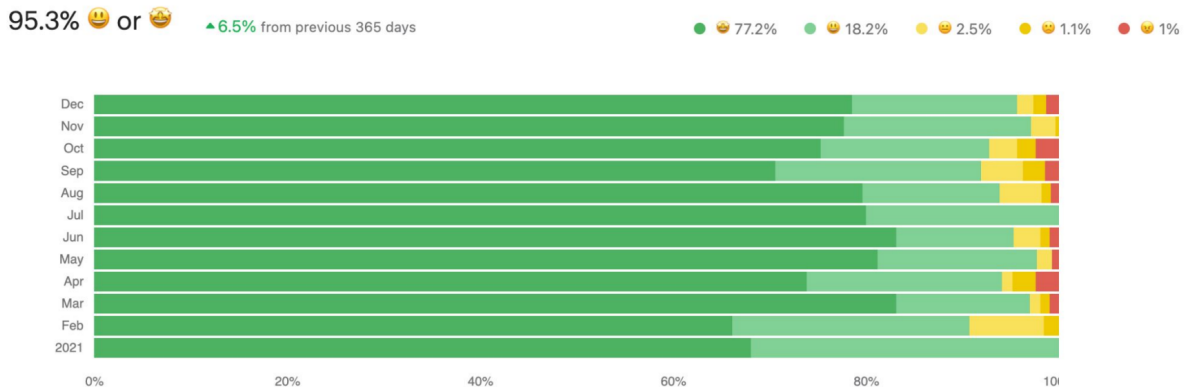


Figure 3.6. Customer satisfaction example of a “must have” product from anonymous startup

In this figure we see that 95.3% of costumers are very happy about the product, which is also a good indication of product-market fit. The satisfaction of the customers.

But going further these “opinion surveys” are theoretical proof for demand, the main thing is that people actually pay and stay with your solution. But you can have a lot of sales, but no or weak product market fit as well. For example app is downloaded, used for 1 month and than almost all of the users delete the app. And they never come back. Do they have product market fit? - No. Because the retention is too little.

Another good point is that if you have to pay a lot of money to buy customers - if you don't get word of mouth - loyalty, probably you have no or bad product market fit. It depends,

of course. But if startup is “buying revenue” - than it’s not a good product-market fit - thats why investors look at retention. Product-market fit would be revenue + retention. And the retention should be positive - meaning that you have more people staying than you are loosing.

Another important metric as proof for demand is Customer lifetime value against customer acquisition costs. The goal for achieving product market fit is that this number is positive and it is at least 1 to 5 - for every 10€ you spend in advertising, you will get 50€ from customer in his customer-lifetime. This is important metric to follow for measuring how strong is the product market fit.

Also a good point from interviews is that if you launch a product and there is no revenue at all, probably the product-market fit don’t exist. And you have to change something or everything and launch again.

- Learning curve to earn

Creating a product that customers love, achieving product market-fit, is not something that is definite - that founders achieve and than get rested. Both - to find the product - market fit, founders have to experiment and usually for the first product launch they don’t have a good product market-fit or no at all. Which means that they have to start again. As one of the intervied investors said “there is no magic time, when you can stop thinking about product-market fit”. In order to find product-market fit and improve it, founders have to experiment and learn from the experiments as many times as it is necessary to find it. And after that learn to fine-tune it, how happy and satisfied the customers are, with the goal of reaching similarly high scores as to examples in Figures 3.5. and 3.6.

It’s also important to use Lean Startup approach, starting with something simple, experimenting, learning and than improving and repeating.

An interviewee, who built a multiple hundred million dollar company on a road to billion dollar company said: “we had the product market-fit in the begining - but at first there was nothing super good - at first we launched a Minimum viable product (MVP) to be there and then over time learned and improved the product. Improving an IT system is also a time consuming process. In the first year we were not with the best product. It is important that you know what you are going to, that you have a clear goal, how big you want to be and what market share to take - but you cannot achieve that in one day. We knew what we needed to achieve and we went for it step by step.”

One of the interviewees gave a good point that there is a learning curve what you have to go through in order to reach a product market-fit, which you can scale only than.

- Inventing the wheel

Few founders during interviews identified important point. That it is very, very hard, which might be understatement, to create something completely new. So instead founders better could create something that exists and has proven it-self and figure out how to improve the solution in a way to provide better result for the end customer. This would mean that before to go into the business, founders should look at the most successful companies, evaluate, how good they are doing and look for potential to outcompeate them in the long term. If founder like the numbers what competitors show, and can see an opportunity to outcompeate, than there is a chance. But if even theoretically the founders can't see how to compeate or the market is highly restricted to new competitors, which restriction founder can't overcome, there is probably close to no chance for success than. This approach makes sense from authors perspective, because entrepreneurs should focus on existing needs and existing needs have solutions, if they are worth solving and possible to solve. And usually if the competitors or existing solutions don't exist that is a strong sign of opportunity that don't exist.

On the other hand it depends from business to business. New sectors might not have competitors as they haven't been discovered yet. Or some problems might not have solutions because the problems were impossible to solve before. So sometimes it makes sense to "invent the wheel", but as founders tend to get carried away creating solutions to problems that don't exist, it's important to critically check if they are not "inventing the wheel" for non-existant problem and in this case should have a strong argument, why there are no successful competitors to learn from.

- Addressing a specific need and person

This subfactor overlaps with other subfactors "Product-market fit", but it is important to have Adressing a specific need and person as separate subfactor, because founders have to have it in order to achieve product market-fit. The founders have to have very clear and close understanding of the customer. For example, one of the interviewees was entering a Jordan market with lending platform. In all of the other previous markets the solution was lending online with bank transfers, but the specifics of Jordan is that customers are using almost always cash and don't have active bank accounts. So the founders addressed specific need of

money to people in Jordan, who don't have bank accounts, transforming the service to cash lending instead of wire transfer, which was a success. Another interviewee, who is offering city mobility services explained that they are solving a specific need and specific customer group with each product they offer. One need that is solved by scooters would be to get in a city from A to B, another need, which is solved by buses would be to transport huge objects few times per year.

3.6. Building a scalable business model: Success Factor

As one of the founders said during interviews, growth makes everything sexy - if you have growth, people want to talk with you, if you don't people are not interested.

Although there is not a clear and precise theoretical point when the startup achieves product market fit and start to scale, it depends from company to company, but conceptually startups can start to scale when it's clear about what they sell, to whom at what price and how to reach them, that you know exactly where you will put the money inside in one end and how exactly the money will come out in the other end.

Another way how to know that you are ready to scale, you should understand in detail how to get a customer, where to advertise, what to say, etc.

Another easy to understand concept for what is a scalable business model - it is like a slot machine - but instead of losing money, you get more money out than you put in. Your goal would be to fine tune the slot machine, which in startup terms would be "growth engine", that you make more money in income (and profit) than you have spent in advertising. When you get to that point of "growth engine", you try to increase the advertising spend multiple times to multiply the revenue.

An example, if I have an online store, where I sell computer mouses with 30€ profit per mouse - and I have a facebook ad with a 20€/day budget to the audience of computer geeks, 25-45 year olds, and I have managed to get 2 sales per day, which gives me 10€ advertising cost per attracting 1 customer. Now I will try to scale this business up, by increasing the daily advertisement spent on facebook from 20€ to 200€ and follow if the sales scale up and I can get out profit. If not, I scale down, experiment and repeat.

The same as with the previous factors you have to experiment, learn, repeat in order to get to growth and success. Quoting an investor in interviews: "You burn some money, you learn, correct, and after a while you fix it". "But also if the startup don't have product market fit - there is no point in scalable business model".

Sub-factors from interviews

Before we talk about the sub-factors understood from interviews, it is important to note that these are not obligatory all subfactors of Building a scalable business model that are important to take into account building a high growth tech startup, but the ones identified from 17 founders and investors, who have created or invested in startups that have achieved high growth. And further, deeper research by other researchers would be welcome.

- Business - Scalability Fit

The fundamental principle for business - scalability fit sub-factor is answering these questions:

- if you can copy the success?
- How easy you can replicate the business?
- Or how easy you can multiply revenue and how long you can grow it? The more operations for replication, the harder to scale.

Multiple times in interviews founders and investors mentioned that because of the specifics the hardware business will be much harder to scale than software business. So software in general has better business - scalability fit than hardware, although hardware is also scalable. One of the founders from interviews, who has created a multimillion euro worth of hardware business explained that in the beginning they were doing stuff that don't scale, but after some time understood that they can switch to Software as a service company, creating services on top of their hardware - and found a way to scale their hardware business with this approach.

For example to show a good startup with a bad business - scalability fit: one of the investors companies, who are selling electric toothbrushes were able to launch successful crowdfunding campaigns generating around 2 million euros in yearly revenue. But the problem there is that startup can sell the product only once and there is no retention, which limits their potential to scale to launching new crowdfunding campaigns with new products.

Also many businesses in their principles are very limited to scale. Of course the information technology businesses, where the fundamental value is provided by software would be easier to scale which would give a better business - scalability fit.

Another founder in interviews, who has successful mobility startup in Latvia, explained that it can scale the business only in Latvia by entering new Latvian cities, because the current business model that they have is not competitive in other countries because of the competition. So this business has limited scalability fit. But the founder explained that by twisting the product from service company to a peer to peer platform they have the potential to grow also outside. So changing business model it's possible to increase the Business - Scalability Fit.

- Reverse engineering success

Multiple investors and founders suggested a useful concept of reverse engineering success. The basic principle for this is that founders should theoretically figure out and see, how to scale the business in details. If even theoretically it is not clearly visible than there is little chance that company will reach the growth.

Founder, who managed to reach more than 100 million dollars in revenue per year in 6 years explained, how to reverse engineer success. If a founder has a goal to become a company, who generates 100 millions dollars revenue in 5 years from foundation, the team has to reverse engineer, what would that mean - how many product they should sell in 5 years, how many in the year 1 and how many per quarter. Than going deeper in how many customers they would have to have, how many servers they would need, how many customer support specialists they should hire and going down with this detailed reverse engineer to monthly and quarterly analysis. Reverse engineering success this way gives benefit for creating a better strategy for business in general, understanding which markets to address, which customers to approach and in the end what kind of products to create. Also reverse engineering success would help to more realistically evaluate challenges and other important elements in building a high growth technology startup.

The challenge for reverse engineering is “wishful thinking”, which mean that you are biased to model your business not what makes sense and is closer to the reality, but what is closer to your goals and wishes. Thats why it’s important to research more in details, how to do this activity, involve more team members to theoretically come to a model that makes sense and increase the potential for success.

- Playbook for growth

Playbook for growth is connected very closely with reverse engineering success, but the author of this master thesis decided to create a separate sub-factor, because this according to interviewee, is a critical factor that founders should know and understand, to increase the chances for creating a scuccessful high growth startup. This idea was shared from a founder in interviews, who has build a high growth multimillion dollar company, sold it and now is part of the core team, building a new startup in USA, who has become the fastest growing realestate startup in United States, working with the brightest talent in the world.

In order to build a scalable company, founders should create super-detailed playbook, where scaling has been thought out in detailed theoretically, but down to a very small detail.

And, the great thing is that if the mechanism is built correctly, it will work with both 5 customers and 5 million customers. This plan can be made, for example, in Excel, where every step is super-detailed. For the founders startup, who gave the interview, the playbooks is with 500 criteria and being extraordinarily powerful driver to build and scale the company. The Playbooks processes should be refined with each new customer continuously.

Unfortunately startup founders don't share these playbooks because of its confidentiality, so It's impossible to show a real example. But at least lets have a imaginary example: to illustrate the concept, lets pick a taxi company - Uber. The playbook for Uber would consist of multiple hundred points. In a very detailed way:

1. Customers
 - a. Who is the customer?
 - b. What are the customer personas?
 - i. Why do they use drive hailing?
 - ii. Where do they live exactly, which district?
 - iii. What other competitor apps they have in their phone?
 - iv. How our solution looks like comparing with other solutions?
 - c. What are the channels to reach the csutmers?
 - d. What are the reason for customer to stop using our solution after 1st time?
 - e. What are the reasons, what makes them excited about our solution?
2. Drivers
 - a. Who is going to drive the customers? Founders? Probably not.
 - b. Need to hire drivers.
 - i. Position - HR
 - ii. Who are the drivers?
 - iii. Why they want to work as drivers
 - iv. ...
3. Operations
4. Product
 - a. IOS Application
 - b. Web application
5. etc.
6. etc..

Founders should go through all the company processes in super detailed way with 5 drivers. Experiment, look for what breaks in the system, repeat till the point that the process works so well that it doesn't matter if you work with 5 drivers or 5 million drivers.

This playbook was also mentioned by Miki Kusi, founder of Wolt, which for them was a checklist of to DOs, when entering a new market.

- Learnign curve to growth

Building a scalable business model takes time and experimentation to be able to scale. After the founders find product-market fit there will be a learning curve before they are able and understand growth. This learning curve is different from business to business, but the concept of it is that you understand the current business and you have processes implemented and learning points made, how to scale your business further.

A founder of a very successful fintech company in interviews explained that the idea is that you launch a product and then there is a 'learning curve' where you learn what you need to learn - each industry has its own. In their case, they had to collect customer data and create the first data science models so that they can see, which customers pay back, which dont and only than they can move forward. The concept for the first learning curve is when you learn what you need to learn and than you can start to grow, but improvements learning and improvements will, of course, continue to happen non-stop.

Another founder in this context explained how they entered a new market in Czeck Republic after only one year of operations. They were successful, but entering this market they made huge mistakes, for example, hiring accountants, lawyers and other service providers remotely, seting up a limited liability company, using google, after which they lerned, understood that they have to hire a country leader, which is the key to growth for their busines, instead of growing the company themselves.

- Ability to create a corporation

As identified very clearly by an investor from interviews, getting to product market fit is totally different thing than scalable business model. Before founders have achieved Product market fit, it is a project. After that it is already a company - meaning that founders than have to build systems! They have to hire people, managers, put processes in place. The fundamental questions is how you scale revenue?

The founder team has to set up a scalable business model step by step, not over investing. Basically they have to switch to building a company. Sometimes people, who found the product market fit are not the same, who are capable of building processes and systems -

because than the startup starts to transform, do first steps to build an organisation. It's like building a company, brick by brick.

3.7. Building a great team: Success Factor

Startup Success Factor "Building a great team" is the most important factor stated by many of the investors and founders the author interviewed. The reason for this belief is that capable and talented people can choose the right market, find a product market fit and create a scalable business model, and if they don't find success first time, they can repeat that till they reach success. Although on the other hand in reality talented people will not stick too long to a startup, which doesn't have product market fit, doesn't grow enough or in worst case scenario doesn't generate revenue. So that was the reason that author of this master thesis agreed with other part of investors and founders, who stated that there is no priority between success factors, they are like checklist for success and founders can't achieve high growth tech startup without achieving most or all of 4 main factors. But still objectively founder and or founders are the key to success.

Sub-factors from interviews

- Goals and motivation

As one of the founders in interviews precisely said - as rare as it is to find unicorn startups (those are startups, who have reached 1 billion dollars in valuation), it is rare to find Unicorn founders. They are people who have the motivation, gained the skill, experience, failures that they have an ability to see a business opportunity and take it.

Goals and motivation is critically important factor in order to achieve success with a high growth startup. Goals would include the founders ambition and goals what they want to achieve. For achieving high growth and revenue, the team have to have goals regarding the size of the company. And the CEO should be able to identify clear KPIs and dates the team needs to achieve them. And have to be able to lead the team towards them. And the founder have to have ability to set up higher and higher goals to drive the growth.

Another point in this success factor is motivation and dedication to the startup. As multiple interviewees identified that those founders who are working for multiple projects instead of putting 100% effort in one startup, don't achieve success. When the whole team sees that the founders are not all-in, they would also feel demotivated and would act accordingly, not focusing on the startups mission. As one of the investors interviewed explained that an

investment company Asya, the founder from day one made a decision that he will go 100% all in and dedicated his time in the startup, which have helped him gain all - the team, the revenue, the investments. While a bad example is a 3 founder team, each have multiple startups and no one is investing 100% attention, waiting when something will gain traction, but nothing does as there is too little attention from the founders.

Another part of motivation is how the ownership of the startup is shared between the founders. It's important that the companies shares are split in a way that it motivates the founders to execute and work for building the company.

And the last point in goals and motivation subfactor is that usually teams don't achieve success from the first product. And the "success" is building slowly with a snowball effect and sometimes might come years in, meaning that the founding teams motivation should be on working together and going to the goal than only result and emotions orientated.

- Founders talent and business requirements fit

Here again would be important to repeat as rare as it is to find unicorn startups, it is rare to find Unicorn founders. They are people who have gained the skill, experience, failures that they have an ability to see a business opportunity and take it.

Using an idea from a startup founder interview: building a great team for a bank robbery is the same as for a startup. You need to have the best specialist in ever task. The suitability of the teams founders must be assessed according to the tasks to be achieved in the startup and how well they are able to perform those tasks reaching the goals. For example, if a startup needs to create a prototype in 3 months, will this engineer be able to make a microchip in high quality and in the required time? So that in 3 months the team would have a working prototype on the table? Or if the founders of the company have set a target of 1 million euro in revenue, the question is, will this marketing specialist, who is the founder, be able to reach 1 million in revenue? It turns out that a good team is one that is able to achieve the company's tasks and is able to grow with the company. So the founder talent and business requirement fit depends from the specific business - for example, if you create a Delivery mobile app - than a great team is the one who sees and is able to realize a vision that works great, code a great, working application, create an excellent design, attract the best delivery drivers, attract critical mass of users. That in the end the best team is the one that is capable to do practical work and achieve great results.

Next level of requirements of skills is ability to addapt and quickly learn in order to change roles in the company. That at first he or she is the best salesperson and then is able to lead and train the sales team and then is able to lead the sales department managing managers,

etc. Because of this fact that startup founders, even first employees need to adapt quickly and change roles, it is more important that the founders have the skills to learn fast and adapt.

This is also approved in a conversation of one interviewee, who shared their experience: In the Core team, it is best to take people who have experience in this sector, but have not been valued in existing jobs so far, but you see the potential that in 2-3 years, if you give the person a chance, he/she will be able to grow - has ambition to grow. The founder in the interview expressed that it has been shown in his experience many times that the less experienced, but big ambition and hardworking people will perform better than those with a lot of experience in similar positions. The founder said: "The main thing for us is that a person has a fire inside and motivation to grow and learn. It is important to us that the person after a resume is not something super impressive. But we are looking for "rising stars" who want to grow with us. From experience - for those who have a super CV, they're a little lazy - they have a different priority in life."

Another good point from multiple founders was that there is a reason why the founders of Paypal, Skype or other top startups in the world tend to make other billion dollar companies after the first success. It shows the talent, who achieve huge startup success is a type of people, who are capable of doing that.

And for a great team it is critically important that you have the right mentors, who have been there, have done that. Without those mentors, you will make too many mistakes along the way, which can be avoided with great mentors.

Another good point from a founder in the interviews was that to have a good team, you need a good product market fit and scalable business, because you can't hire a good team without revenue. Also, a good team needs to see constant progress, otherwise they get bored and would leave to other companies, what gets them excited.

The top team will do 10x or more than the average team. There's a parabol curve for startup success and a parabol curve for founders. If you're in founder shoes, you need to think about who your co-founders are. A good team will solve all the other 3 things.

To finish this subfactor description it's important to mention again that the founding talent and business requirement fit might differ from business to business. One founder versus team also depends. There are businesses where one person is enough, such as an online blog. On the other hand, there are businesses that need a large team. Also, maybe you can start one, get the product market fit and then attract a wider team.

Key overall skills (non specific to industry) mentioned by founders and investors during interviews:

- Strong motivation and dedication to the startup;
- Founders intellectual capabilities;
- Ability to work hard and long hours to achieve results;
- Ambition to grow individually and with the company;
- Founder should be good at story telling to persuade the first founders, investors, etc.
- Founders should be solving the problem that they have or they understand very well.

- Cohesive team and values

This subfactor consists of 2 parts. One is the strategic competences relevant to the specific business, the other is values and connection between founders. Regarding competences - it is more important to have practical experience with skills than formal education and the skills would differ from business to business, but general skills in a technology startups would include:

- Business development skills
- Sales and marketing
- Technical skills
- Design

Ability to work together is an important point. The personal contact between the team members and the time they have been together before the current startup is also important. Another factor is that the founders are able to accept better, smarter people into the team than themselves.

Team values are very important according to multiple interviewees. "Culture should be also a product that is designed and debugged continuously". And culture is the way we treat things in the startup, what is acceptable, the way we treat colleagues, clients, etc.

Another important point from multiple founders - when it comes to a team, in order to get a good team, you need to constantly accept and fire people to leave the best based on performance. And loyalty also is important, that it is not the case that founder or team member will leave at the first opportunity. Loyalty is an underrated trait for teams.

- Founders Strategic Competences by investor, entrepreneur Juris Birznieks

One of the interviewees - entrepreneur and investor Juris Birznieks, the founder of a Business University “Turiba” in Latvia (Yearly turnover now around 5.5 million €) and investor and founder of Business Angel Network “LatBan” allowed to be mentioned in this master thesis and share his theory on what kind of competences the founders should cover in order to create a successful startup. He has developed this theory during his investment career and have connected it with Joe Abraham BOSI Methodology from the book “Entrepreneurial DNA”⁷². Juris has granted the author of this master thesis to explain this theory in order to better understand the success factors for building a high growth tech startup.

Largest emphasis in his opinion in order to create a successful startup is on the inner motivation and capability to build a startup. The motivation should be so strong to founders or the leading founder, if not to all, that the inner motivation is so strong that the founder even don't want to sleep but to work on his startup. And the teams Strategic Competences consists of 4 functions, according to *Figure 3.7*.

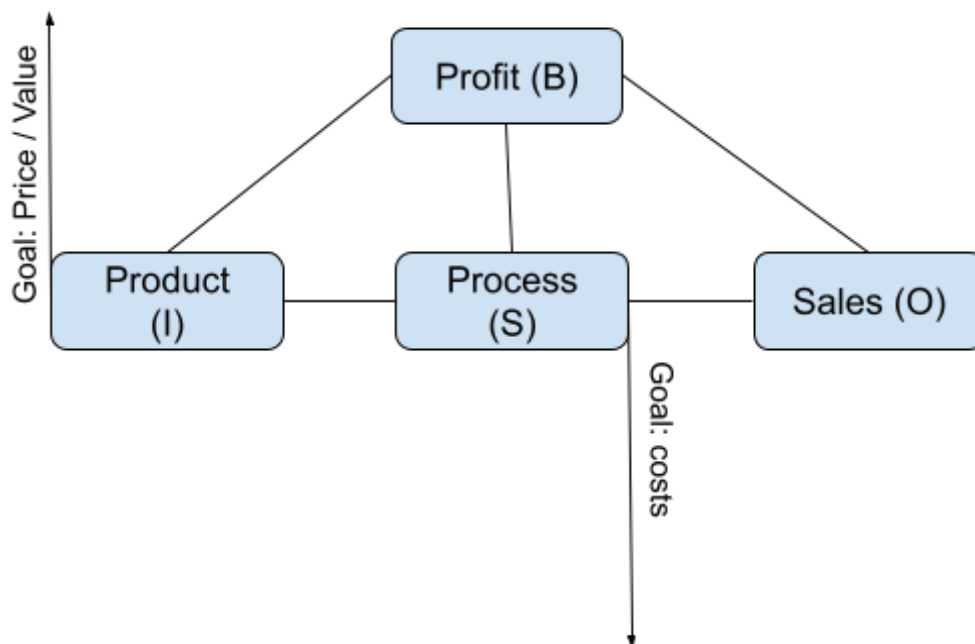


Figure 3.7. Startup Teams Founder Strategic Competences in 4 functions by entrepreneur and investor Juris Birznieks

As visible in *Figure 3.7*, the founder strategic competences consist of 4 functions:

- Product (I) - the founders goal for this function/role is to build a product to customers, giving the highest possible value and being able to charge the highest possible price

⁷² Abraham, J. (2011). *Entrepreneurial DNA: The Breakthrough Discovery that Aligns Your Business to Your Unique Strengths*. Mc Graw Hill, 63–72.

for the product.

Letter (I) stands for “Innovator” from the Joe Abrahams BOSI Methodology, which means that the founder has a competences of an innovator. It is an entrepreneur who loves products and product development the most. This is a person who can work on their idea for years, possibly without even putting it into business. This type of entrepreneurial dna in business will lead to a focus on research and development (R&D).

- Process (S) - the founders goal for this function/role is to deliver the product to the customer with the highest efficiency, reaching the lowest costs possible.

Letter (S) stands for “Specialist” from the Joe Abrahams BOSI Methodology, which means that the founder has the competence of a Specialist. He will enter one industry and stick to it for fifteen to thirty years. Such entrepreneurs can also be programmers, scientists, designers or lawyers. They gain knowledge quickly, but struggle to stand out in a crowded market. This person is an expert in his field and feels the most comfortable in it.

- Sales (O) - the founders goal for this function/role is to drive sales to the company, selling the companies products, driving customers in.

Letter (O) stands for “Opportunist” from the Joe Abrahams BOSI Methodology, which means that the founder has a competences of an Opportunist. It is a speculative part of an entrepreneur who wants to be in the right place and time, exchanging time to earn as much money as possible - the opportunist sees an opportunity and immediately tries to take it away, leaving behind what he has done before. In business, such qualities are also important, because Opportunists will never miss a good opportunity.

- Profit (B) - the founders goal for this function/role is to get all team together, build the company and manage the whole company and other founder with a goal to get the highest profit from the business.

Letter (B) stands for “Builder” from the Joe Abrahams BOSI Methodology, who is a major chess player in a business game who always wants to be two or three moves ahead of the competition. A builder likes to build a business as such, because building a business itself is what fascinates him from the very beginning. His goal is to build a big business, sell it or earn and build the next one.

The idea for Juris Birznieks model is that team should cover these 4 functions in the company, where people would have different competences: Builder, Innovator, Specialist and Opportunist. Ideally 1 person should be responsible only for 1 function and covering 1 main

competence. Although mister Berzins suggests that also single founder and 2 founder might cover all the competences, but loosing on the end result as 1 person can't be good at everything and would loose the benefit spending 100% of the focus on the skill and function that he is naturally best at.

3.8. Result interpretation in the context of previous research findings

The results based on the research in this chapter, the interviews and analysis conducted results in 4 main success factors, plus 1 additional factor “Luck” and 17 subfactors, all together 22 factors. In literature review, as author identified, Santisteban Jose and Mauricio David in their literature review of success factors identified 21 critical success factors. While other researchers, who were researching entrepreneurs also from Latvia, identified other 12 factors, where 6 startup success factors, identified by investors and other 6 by entrepreneurs, based on their survey results. We can see all of these success factors in the Table 3.1.

22 Startup Success factors and subfactors identified in Mikus Losans research (Factors in Bold, subfactors Regular)	21 critical Startup Success factors identified in S. Jose and M.David literature review	12 Startup Success factors identified in A. Prohorovs, J. Bistrova, D.Ten research
<ul style="list-style-type: none"> ● Picking the right market (sector) ○ Maturity of the market ○ Picking the right sector - right size, ability to compete, scalability potential ○ The right timing ○ Market and opportunity awareness ● Building a great product that customers love (product-market fit) ○ Founder-market fit ○ Proof for demand ○ Learning curve to earn ○ Inventing the wheel ○ Addressing a specific need and person 	<ul style="list-style-type: none"> ● Experience in the industry of the founding team ● Previous startup experience of the founding team ● Academic formation of the founding team ● Technological/ business capabilities of the founding team ● Experience in R&D of the founding team ● Entrepreneurs Experience in the management ● Leadership of the entrepreneur ● Gender of the entrepreneur ● Age of the entrepreneur 	<ul style="list-style-type: none"> ● Management skills of the founders and the team; ● Specialized education and skills; ● Founders previous experience ● Direct communication with business angels and investors; ● Managerial support ● Financial potential ● Management skills of the founders and the team ● Market size and growth rate, competition ● Financial potential ● Product characteristics and scalability ● Founder’s trustworthiness and reliability

<ul style="list-style-type: none"> ● Achieving scalable business model ○ Business - scalability fit ○ Reverse engineering success ○ Playbook for growth ○ Learnign curve to growth ○ Ability to create a corporation ● Building a great team ○ Goals and motivation ○ Founders talent and business requirements fit ○ Cohesive team and values ● The “Luck” factor 	<ul style="list-style-type: none"> ● Initial motivation of the entrepreneur ● Government support ● Venture capital ● Level of competence ● Startup teams size ● Organizational age ● Product Innovation ● Location ● Dynamism of the environment ● Science and technology policy ● Clustering advantages ● Partner relationships 	<ul style="list-style-type: none"> ● Founders previous experience
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Table 3.1. Startup Success Factors identified in this master thesis by M.Losans research next to success factors identified by S. Jose and M.David and A. Prohorovs, J. Bistrova, D.Ten.

Although all researchers had different approaches identifying startup success factors, many of the factors have something in common or cover the same idea. In authors opinion in this master thesis the 4 main factors: Picking the right market, Achieving product-market fit, Achieving scalable business model and building a great team covers a wider range of success and are more comprehensive than other researcher factors. And other author factors, according to their meaning, would be subfactors according to M.Losans view. This idea is illustrated by arranging other author success factors according to their meaning as subfactors:

- Picking the right market (M.Losans)
 - Financial potential (M.David and A. Prohorovs, J. Bistrova, D.Ten)
 - Market size and growth rate, competition (M.David and A. Prohorovs, J. Bistrova, D.Ten)
 - Financial potential (M.David and A. Prohorovs, J. Bistrova, D.Ten)
- Building a great product that customers love, or achieving product-market fit (M.Losans)
 - Product Innovation (S. Jose and M.David)
 - Product characteristics and scalability (M.David and A. Prohorovs, J. Bistrova, D.Ten)

- Achieving scalable business model (M.Losans)
- Building a great team (M.Losans)
 - Experience in the industry of the founding team (S. Jose and M.David)
 - Previous startup experience of the founding team (S. Jose and M.David)
 - Academic formation of the founding team (S. Jose and M.David)
 - Technological/ business capabilities of the founding team (S. Jose and M.David)
 - Experience in R&D of the founding team (S. Jose and M.David)
 - Entrepreneurs Experience in the management (S. Jose and M.David)
 - Leadership of the entrepreneur (S. Jose and M.David)
 - Gender of the entrepreneur (S. Jose and M.David)
 - Age of the entrepreneur (S. Jose and M.David)
 - Initial motivation of the entrepreneur (S. Jose and M.David)
 - Level of competence (S. Jose and M.David)
 - Startup teams size (S. Jose and M.David)
 - Management skills of the founders and the team (M.David and A. Prohorovs, J. Bistрова, D.Ten)
 - Specialized education and skills (M.David and A. Prohorovs, J. Bistрова, D.Ten)
 - Founders previous experience (M.David and A. Prohorovs, J. Bistрова, D.Ten)
 - Direct communication with business angels and investors (M.David and A. Prohorovs, J. Bistрова, D.Ten)
 - Managerial support (M.David and A. Prohorovs, J. Bistрова, D.Ten)
 - Management skills of the founders and the team (M.David and A. Prohorovs, J. Bistрова, D.Ten)
 - Founder's trustworthiness and reliability (M.David and A. Prohorovs, J. Bistрова, D.Ten)
 - Founders previous experience (M.David and A. Prohorovs, J. Bistрова, D.Ten)

S. Jose and M.David research from 21 factors, 13 factors would fit as subfactors to M.Losans main factors “Achieving product-market fit” and “Building a great team”, but 8 success factors:

- Government support
- Venture capital
- Organizational age

- Location
- Dynamism of the environment
- Science and technology policy
- Clustering advantages
- Partner relationships

would not be directly connected with M.Losans success factors. It appears that they would go under a combined factor of “External environment”, but this was not identified as an important success factor by the author. Also founders and investors didn’t identify this as a success factor, but “External Environment” might be a factor that is worth researching further. And M.David and A. Prohorovs, J. Bistrova, D.Ten all 12 factors would fit as subfactors to M.Losans main factors “Picking the right market”, “Achieving product-market fit” and “Building a great team”

This arrangement exercise illustrates that the authors of this master thesis all main success factors, except “achieving a scalable business model” are the same, what other researchers have identified. With a difference that other researchers have overwhelming weight on a “team” as a factor, while a “solution” separately from team (M.Losans factor: product-market fit) has very little importance on success. Also choosing the right market has very little importance to success according to other authors research. And the success factor “Achieving a scalable business model” is not included at all in other author research probably because M.Losans had a different aim and focus, which was connected with success in building a high growth technology startups, while other authors identified success differently and “high growth” was not something that they included in the success criteria.

Also important observation, as M.Losans has only 3 subfactors for “Team”, but other researchers have 20 subfactors combined, M.Losans has given very little attention to “Team” as a factor comparing with other authors and further research would be important also for the focus of building a high growth technology startup.

In conclusion of success factor interpretation with previous research findings

M.Losans with 2 level success factor analysis: main factors and subfactors allows to look at startup success factors more broadly and see the importance of “Product-market” fit, which is ultimately meeting customer needs that can’t be excluded from any success factor research as that is the fundamental reason for the existence of a startup. And with 2 other factors: “Picking the right market” and “Achieving a scalable business model” the author

shows additional main factors that are very important, when success would include specifically high growth technology startup. And one takeaway from previous research, identifying a potentially new main factor “External environment”, which would be available for further research, although none of the high growth technology startup founders identified this as a missing factor during the research.

3.9. Conclusions on startup success factors from interviews

Creating a high growth technology startup is not easy and not simple. Also every business and every niche is different and requires both thinking “outside the box” and understanding the basic principles (success factors) on how things happen in the market in order to achieve success. Also this research and conversations with investors and founders have shown that there are principles - identified as startup success factors that founders have to think about and achieve in order to become successful and create rapidly growing technology startups.

And due to the general understanding by the author of what interviewed founders and investors had in mind, when talking about the success factors, suggestion would be to separate the success factor “building a great team” into Lead founder and the cofounders separately from other 3 success factors, because all of the factors the founders have to achieve in order to create a high growth startup goes down to individual, the founders capability and grit in order to build a great team, persuading other key founders, choose the right market, achieve product market fit and find a scalable business model as visualised in the *Figure 3.8* And then the success and growth will be limited or unlimited by the personal potential, wisdom, creativity of the individual founder.

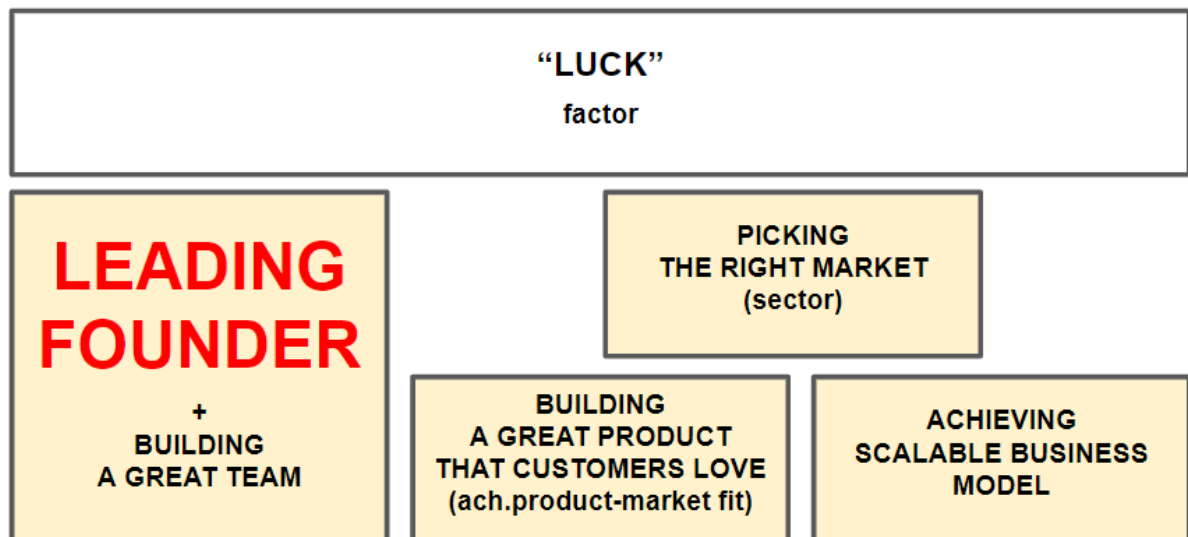


Figure 3.8. Final success factors for creating a high growth tech-startup, visualised

Grouping 3 success factors (sector, product-market fit and scalable business model) together and Building a great team. Because the team will define your capabilities and preferences for business directions and where to go, especially the leading founder, who have to have the vision and ability to gather the “great team”. But the trio of Success factors is like checklist founders have to have in order to create a high growth tech startup. If you are a founder - you have to understand your potential and capabilities, and which directions you are capable and ready to go in order to work on a startup. What is your passion? What are you interested in? Do you have what it takes to create a startup and most importantly - create a competitive solutions? How ready you are to “sweat” and work for it?

And the author would finish with the idea of one of the Printify founders, Artis: The reason why there are so few “startup unicorns” is because there are only few “Unicorn founders”.

**THE BEGINNING OF A HIGH GROWTH TECHNOLOGY STARTUP
STARTS WITH AN INDIVIDUAL WITH A PASSION AND THE POTENTIAL OF
CREATING SOMETHING AMAZING!**

3.10. High level startup success factor checklist for early founders and incubator programs, based on the 4 Startup success factors

This checklist is meant for early startup founders, business incubators and accelerators to think about the fundamental principles of building a high growth technology startup. Doing customer interviews, Lean startup, Minimum viable product, etc. are critical instruments founders have to use to achieve the goal, but fundamental principles are the success factors you have to achieve in order to be successful building a high growth technology startup.

The Startup Success Factor Checklist in printable form is available in Appendix 4

Building a great team

- Do you have the will, time and motivation to work hard for your startup idea (Yes/No)
- Do you see a clear solution what you can build and deliver to customers that outcompetes existing alternatives to the customer need? (Yes/No)
- Do you know what are the skills and actions necessary to build and deliver this solution in the form of at least minimum viable product? (Yes/No)
- Do you have these skills covered, or are you capable to attract core team that can sell, build and deliver the solution? (Yes/No)
- Does the lead founder see him/her-self happy working in this sector/startup for the next 10 years? (Yes/No)

Achieving product-market fit

- Can you explain what exactly is the customer and the need you are solving? (Yes/No)
- Can you explain/show your solution to a customer why it is better than the current alternative for his/her need and customer would understand? (Yes/No)
- Can you build and deliver the solution (minimum viable product) to customers that outcompetes existing alternatives in the marketplace? (Yes/No)
- Does your business model involve customer retention - that customers buy/use your product more than once? (Yes/No)
- Revenue and retention is the general proof for product-market fit. Do you understand that you can't move forward to scaling the business, before you have manager to achieve revenue? (Yes/No)

Picking the right market (sector)

- Based on your planned solution and the researched competition, do you have the potential to become the leading player in the industry/sector? (Yes/No)
- Do you have the potential to achieve 100 million euros in yearly turnover in the next 10 years? (Yes/No)
- If you don't have this potential, write down what is your potential for yearly turnover in the next 10 years? (_____)
- Can you explain why this is the best timing for launching your solution? (Yes/No)
- Would you say that you have enough industry experience and understanding to provide a serious competition? (Yes/No)

Having a scalable business model

- Does your business idea and model allow you to scale it up? (Yes/No)
- Have you identified a clear goal of your business revenue/size and reverse engineered success with a clear timeline and KPIs you need to reach to achieve the goal? (Yes/No)
- Do you understand the fundamental principle that to create a scalable business model it's a never ending process of experimenting, measuring and learning in order to achieve higher profit per customer than advertising costs? And then scale it up (Yes/No)

CONCLUSIONS AND PROPOSALS

For conclusions lets get back to the aim of this master thesis. The author wrote in the beginning that the question is why some founders manage to create a high growth tech startup, but most of them fail. And the aim for this master thesis is to understand the fundamental principles of startup success - finding Latvian startup success factors building a high growth technology startup. Which could be used by founders and accelerators and by researchers for further research on startup success.

Hypothesis: "Achieving product-market fit, is the most important startup success factor for latvian entrepreneurs - so first and main goal for a founder would be to create a product that customers love, solving specific need better than alternatives, in order to build a high growth technology startup." has not been approved, because almost all founders in interviews shared a view that the startup success factors are similarly important to each other without priority and it would not be correct to identify one as the most important. Because in order to be able to create a solutions that is better than alternatives, startup have to have very good talented team, who is better than competitors in some ways. Also achieving product-market fit with a non-scalable business model or in limited or declining market, will not allow founders to create a hight growth technology startup. So achieving product-market fit is an important factor, but not most important one. And successful startup should also have a great team, scalable business model and working in the right market.

Conclusions about startup success factors

1. In authors opinion if startup founders would understand and deliberately try to reach the startup success factors in their next startup endeavour, it would significantly increase the chance for success.
2. Important approach to become successful with entrepreneurship is to learn from founders, who already have achieved success. And as this research has gathered important ideas from 14 founders, who have achieved the highest startup growth in Latvia, this master thesis is a good material for learning to entrepreneurs.
3. According to this master thesis research there are 4 main success factors to create a high growth technology startup: Building a great team; Picking the right market, Achieving product-market fit and Achieving scalable business model. All of these

factors are similarly important and ideally founders have to have them all in order to build a high growth technology startup.

4. Each of the main factors are sophisticated and shouldn't be viewed simply. They involve subfactors and different saturation levels - resulting in different levels of success. For example product-market fit might be strong or weak. Strong product-market fit would result in high customer satisfaction and high retention, while weak would result in slow revenue and weak retention.
5. There is the 5th success factor "Luck", which is very important in creating a high growth technology startup, it gives huge weight to the potential to achieve success, but as this factor is something that the founders can't control, it is not included as the main factor.
6. Building a high growth technology startup is not easy and not simple, so founders should understand that Startup Success Factors should be used with context. Because every business and every niche is different and requires both thinking "outside the box" and understanding the basic principles (success factors) on how things happen in the market in order to achieve success.
7. The author would suggest to separate startup success factor "Building a great team" into the lead founder, which usually plays the role of CEO, from other co-founders, because usually there is one leader, who has the vision, motivation and passion to persuade other founders and steer the startup towards high growth.
8. Startup success potential is directly linked to the potential of the founder as an individual. So the success of the startup is limited to the personal potential of the founder - his intellectual potential, experience, resources and other.

Proposals to founders

9. If your ambition is to create a high growth technology startup, you should achieve all or at least 3 of the startup success factors. And keep them in your mind as goals to strive to, when going through the process of experimental learning.
10. Use the Startup Success Factor Checklist in Appendix 4, developed as the result of this master thesis, to evaluate if your business idea and approach meets the 4 Startup success factors.
11. For young entrepreneurs with no professional experience and skills - as your startups potential is limited to your personal skills and potential, the best way to be successful is to gain skills and experience fast both by experimenting with business projects that

you can manage, ideally online, and in challenging job positions as well, where you have to grow fast and learn.

Proposals to incubator programs, accelerators, investors and government

12. The author propose to use the Startup Success Factor Checklist, developed as the result of this master thesis, to evaluate the potential of current and future startups in incubation programs.
13. The author propose to involve “growth playbook” as a requirement to startups, which is an extremely detailed thought-out list of processes of startup functions from sourcing materials to what customer thinks. The idea of the playbooks is to create a process in the company so good, that it doesnt matter if startup works with 50 clients or 50 million clients. Ultimately it’s a playbook for finding processes “what works” and scaling.
14. As Latvia is lagging behind other Baltic countries in terms of startup ecosystem success, the author would invite Ministry of Economics and Latvian Investment and Development Agency to see the results of this master thesis and evaluate if it could be useful in future ecosystem support activities.

Proposed future research

15. Each of the startup success factor is sophisticated and include strength and sub-factors. The author propose future deeper research in each of the 4 main startup success factors in order to identify more precise subfactors and understand the main factor better.
16. Startup success potential is directly linked to the potential of the founder as an individual. The author propose future research in what makes an individual a “Unicorn founder” before he/she has become one.
17. The author propose future research with other company types than high growth technology startups, using the methods, interview questions, success factors from this research as an example.
18. Researchers are invited to include in all future startup success factor research at least one factor from this master thesis – “achieving product-market fit”, because previously majority of the researchers have neglected the essence of this factor, which is meeting customer needs and creating a solution, which can outcompete alternatives. But this is the fundamental basics for success in any startup.

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38. Lursoft, Annual Report Database, SIA IPS Media
39. Lursoft, Annual Report Database, SIA ITissible Development
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Appendix 1 - Interview questions to founders

MIKUS LOSANS

FOUNDER INTERVIEW

Startup Success Factors Building A High Growth Tech Startup

The goal for this interview is to explore Interviewee experience and understanding of what are the Startup Success Factors of building a High Growth Startup from Latvia. And to evaluate and identify the importance of specific startup success factors, comparing them between each other

Questions

1. **Look at these 4 Startup Success Factors and sort them from 1-4, where 1 is the most important factor and 4 is the least important from them.**
 - a. **Picking the right market**
 - b. **Building a great team**
 - c. **Building a great product that customers love (It is: Achieving product market fit)**
 - d. **Achieving scalable business model**
2. **Is there anything you would like to change regarding these 4 success factors? Add some factor or take something away?**
3. **Success Factor: Building a great team**
 - a. **What is a great team - please define.**
 - b. **How to create a great team?**
 - c. **Who was your founding team and what made it great?**
4. **Success Factor: Building a great product that customers love (It is: Achieving product market fit)**
 - a. **What does it mean: a great product that customers love?**
 - b. **How to measure it and understand that you have achieved it?**
 - c. **How in your startup you saw (can see) that you have achieved a great product that costumes love? What is the measure?**
5. **Success Factor: Achieving a scalable business model**
 - a. **What is a scalable business model?**
 - b. **How to create a scalable business model?**

- c. **How did you know in your startup when you achieved a scalable business model, if you have?**

6. Success Factor: Picking the right market

- a. **What is the right market for a startup?**
- b. **When a startup should choose the market?**
- c. **How did your startup choose the market?**

10. Demographic questions

Name, Surname (or anonymous): _____

companies name: _____

Companies approximate total Revenue 2021: _____

Companies approximate growth rate yearly: _____

Interview done on (date): _____

THANK YOU VERY MUCH

Startup Success Factors Building A High Growth Tech Startup

The goal for this interview is to explore Interviewee experience and understanding of what are the Startup Success Factors of building a High Growth Startup from Latvia. And to evaluate and identify the importance of specific startup success factors, comparing them between each other

Questions

7. **Look at these 4 Startup Success Factors and sort them from 1-4, where 1 is the most important factor and 4 is the least important from them.**
 - a. **Picking the right market**
 - b. **Building a great team**
 - c. **Building a great product that customers love (It is: Achieving product market fit)**
 - d. **Achieving scalable business model**
8. **Is there anything you would like to change regarding these 4 success factors? Add some factor or take something away?**
9. **Success Factor: Building a great team**
 - a. **What is a great team - please define.**
 - b. **How to create a great team?**
 - c. **Name an examples from your investments of a great founding team and what made it great?**
10. **Success Factor: Building a great product that customers love (It is: Achieving product market fit)**
 - a. **What does it mean: a great product that customers love?**
 - b. **How to measure it and understand that you have achieved it?**
 - c. **Name an examples from your investments, where the startup achieved a great product that costumes love? What is the measure?**
11. **Success Factor: Achieving a scalable business model**
 - a. **What is a scalable business model?**
 - b. **How to create a scalable business model?**

- c. **Name an examples from your investments, when your startup achieved a scalable business model? And how did they (and you) know that they have achieved it?**

12. **Success Factor: Picking the right market**

- a. **What is the right market for a startup?**
- b. **When a startup should choose the market?**
- c. **Name an examples from your investments, How did your startups choose the market?**

10. Demographic questions

Name, Surname (or anonymous): _____

companies name: _____

Founding year: _____

Investments made since foundation (numbers/€ or both): _____

Interview done on (date): _____

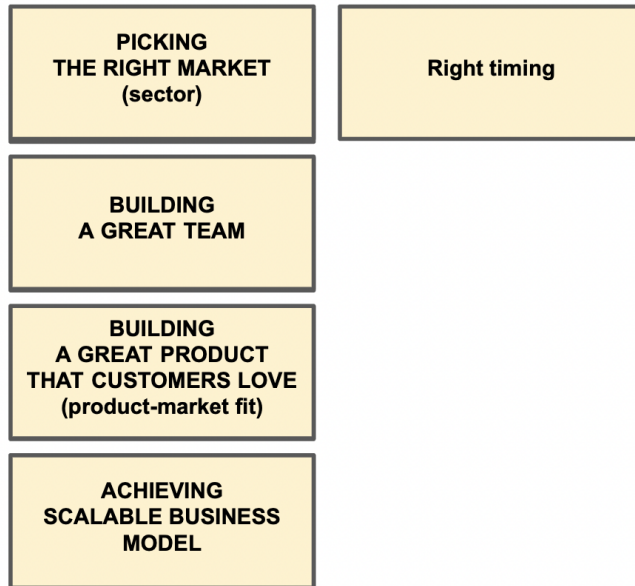
THANK YOU VERY MUCH

Appendix 3 - Success Factor priority by 17 interviewees

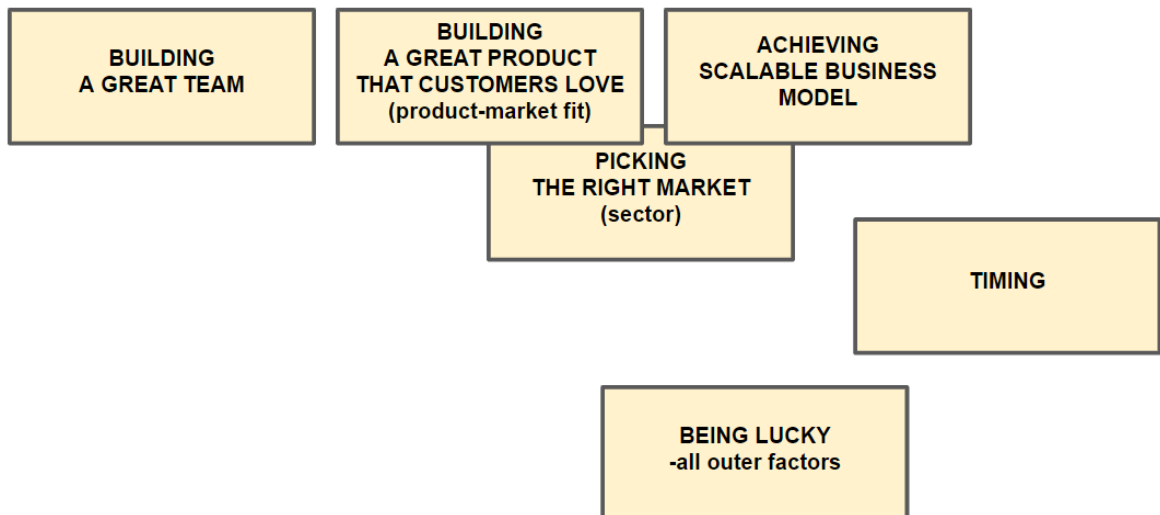
<p>Interviewee nr.1 (founder) Maris A.</p>	<p>Interviewee nr.2 (investor) Matīss N.</p>	<p>Interviewee nr.3 (founder) Emīls P.</p>
	<p align="center">Priority</p>	
<p>Interviewee nr.4 (founder) Artis K.</p>	<p>Interviewee nr.5 (founder) Matīss A.</p>	<p>Interviewee nr.6 (founder) Didzis D.</p>
<p align="center">Priority</p>	<p align="center">Priority</p>	<p align="center">Priority</p>

<p>Interviewee nr.7 (investor) Juris B.</p>	<p>Interviewee nr.8 (founder) Dāvis S.</p>	<p>Interviewee nr.9 (founder) Uldis L.</p>
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"> BUILDING A GREAT TEAM </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"> PICKING THE RIGHT MARKET (sector) </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"> BUILDING A GREAT PRODUCT THAT CUSTOMERS LOVE (product-market fit) </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> ACHIEVING SCALABLE BUSINESS MODEL </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"> BUILDING A GREAT PRODUCT THAT CUSTOMERS LOVE (product-market fit) </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"> BUILDING A GREAT TEAM </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"> PICKING THE RIGHT MARKET (sector) </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> ACHIEVING SCALABLE BUSINESS MODEL </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"> BUILDING A GREAT TEAM </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center;"> BUILDING A GREAT PRODUCT THAT CUSTOMERS LOVE (product-market fit) </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> ACHIEVING SCALABLE BUSINESS MODEL </div> <div style="border: 1px solid black; padding: 5px; margin-left: 10px; text-align: center;"> PICKING THE RIGHT MARKET (sector) </div>
<p>Interviewee nr.10 (founder) Toms J.</p>		
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center; width: 30%;"> PICKING THE RIGHT MARKET (sector) </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center; width: 30%;"> BUILDING A GREAT TEAM </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center; width: 30%;"> BUILDING A GREAT PRODUCT THAT CUSTOMERS LOVE (product-market fit) </div> <div style="border: 1px solid black; padding: 5px; text-align: center; width: 30%;"> ACHIEVING SCALABLE BUSINESS MODEL </div>		
<p>Interviewee nr.11 (founder) Mikus O.</p>		
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center; width: 25%;"> PICKING THE RIGHT MARKET (sector) </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center; width: 25%;"> BUILDING A GREAT TEAM </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px; text-align: center; width: 25%;"> BUILDING A GREAT PRODUCT THAT CUSTOMERS LOVE (product-market fit) </div> <div style="border: 1px solid black; padding: 5px; text-align: center; width: 25%;"> ACHIEVING SCALABLE BUSINESS MODEL </div>		

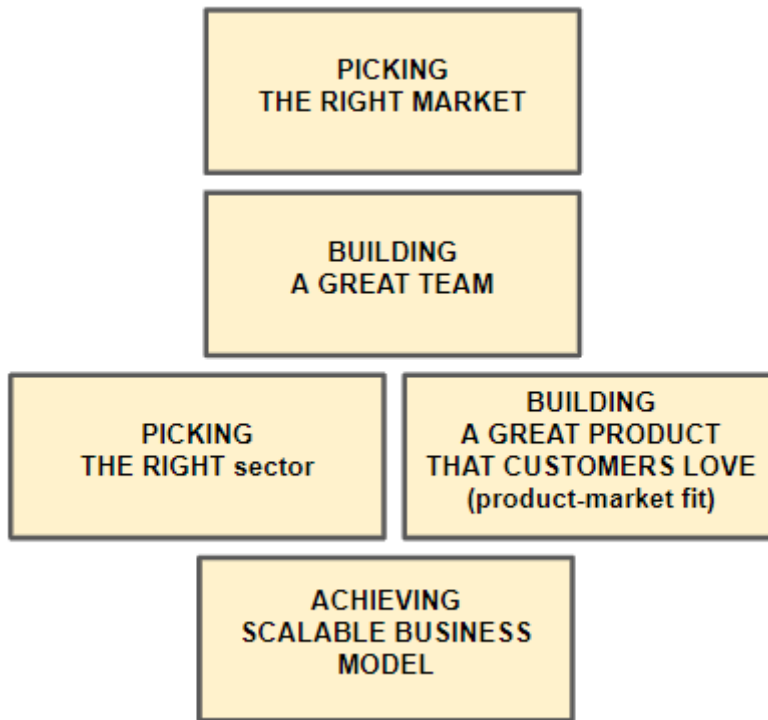
Interviewee nr.12 (founder)
Toms P.



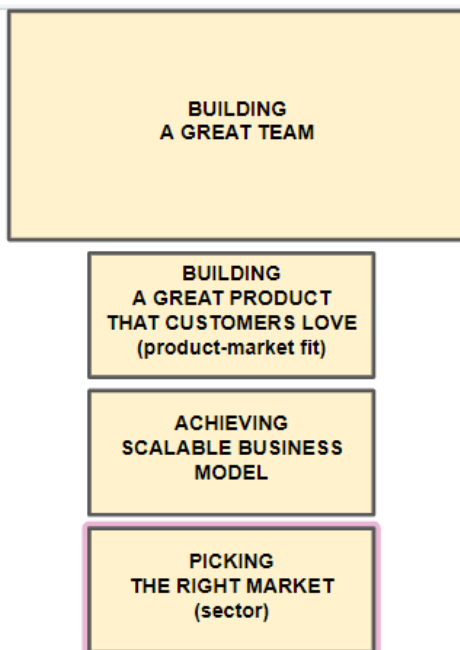
Interviewee nr.13 (founder)
Ernestis Š.



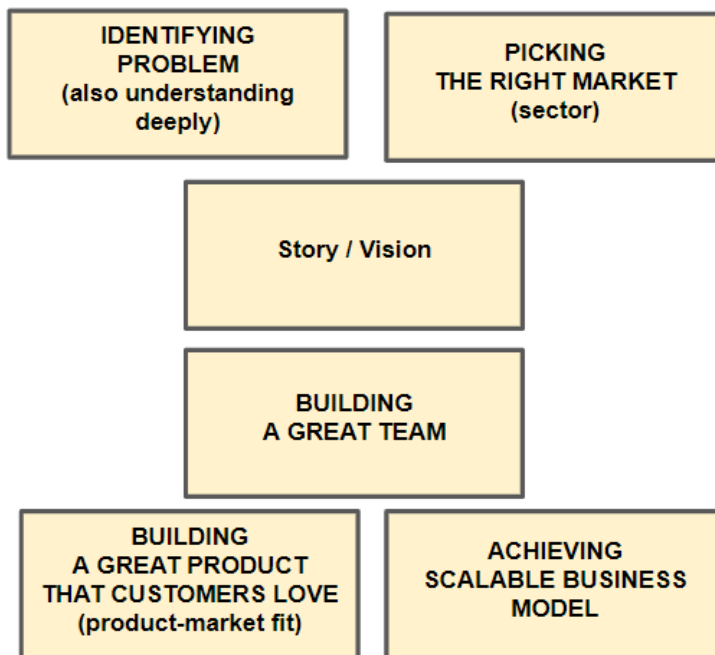
Interviewee nr.14 (Investor)
Dag A..



Interviewee nr.15 (founder)
Andris B.



Interviewee nr.16 (founder)
Kaspars D.



Startup Success Factor Checklist

High level startup success factor checklist for early founders and incubator programs, based on the 4 Startup success factors researched by ©Mikus Losans in Riga, 2022.

● Building a great team

Do you have the will, time and motivation to work hard for your startup idea?

yes
no

Do you see a clear solution what you can build and deliver to customers that outcompetes existing alternatives to the customer need?

yes
no

Do you know what are the skills and actions necessary to build and deliver this solution in the form of at least minimum viable product?

yes
no

Do you have these skills covered, or are you capable to attract core team that can sell, build and deliver the solution?

yes
no

Does the lead founder see him/her-self happy working in this sector/startup for the next 10 years?

yes
no

● Achieving product-market fit

Can you explain what exactly is the customer and the need you are solving?

yes
no

Can you explain/show your solution to a customer why it is better than the current alternative for his/her need and customer would understand?

yes
no

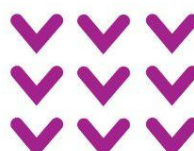
Can you build and deliver the solution (minimum viable product) to customers that outcompetes existing alternatives in the marketplace?

yes
no

Does your business model involve customer retention - that customers buy/use your product more than once?

yes
no

Revenue and retention is the general proof for product-market fit. Do you understand that you can't move forward to scaling the business, before you have manager to achieve revenue?

yes
no

● Picking the right market

Based on your planned solution and the researched competition, do you have the potential to become the leading player in the industry/sector?

yes no

Do you have the potential to achieve 100 million euros in yearly turnover in the next 10 years?

yes no

If you don't have this potential, write down what is your potential for yearly turnover in the next 10 years?

Can you explain why this is the best timing for launching your solution?

yes no

Would you say that you have enough industry experience and understanding to provide a serious competition?

yes no

● Having a scalable business model

Does your business idea and model allow you to scale it up?

yes no

Have you identified a clear goal of your business revenue/size and reverse engineered success with a clear timeline and KPIs you need to reach to achieve the goal?

yes no

Do you understand the fundamental principle that to create a scalable business model it's a never ending process of experimenting, measuring and learning in order to achieve higher profit per customer than advertising costs? And then scale it up?

yes no

Startup Success Factors

"LUCK" factor

Leading founder



Building a great team

Picking the right market (sector)

Building a great product that customers love
(achieving product-market fit)

Achieving scalable business model

Maģistra darbs „Latvijas jaunuzņēmumu panākumu faktori veidojot augstas izaugsmes tehnoloģiju jaunuzņēmumu” izstrādāts LU Biznesa, vadības un ekonomikas fakultātē.

Ar savu parakstu apliecinu, ka pētījums veikts patstāvīgi, izmantoti tikai tajā norādītie informācijas avoti un iesniegtā darba elektroniskā kopija atbilst izdrukai.

Autors: _____
(paraksts) Mikus Losāns _____ (datums)
(paraksta atšifrējums)

Rekomendēju / nerekomendēju darbu aizstāvēšanai

Vadītāja: *Dr.oec.* profesore Ērika Šumilo _____ (paraksts) _____ (datums)

Recenzents: *Dr.oec.* profesore Ilze Medne

Darbs iesniegts LU Biznesa, vadības un ekonomikas fakultātes Studiju centrā

Dekāna pilnvarotā persona:

metodiķe _____ (paraksts) _____ (paraksta atšifrējums) _____ (datums)

Darbs aizstāvēts _____ gala pārbaudījuma komisijas sēdē _____
bakalaura / maģistra / valsts

Komisijas sekretārs(e): _____ (paraksts) _____ (paraksta atšifrējums) _____ (datums)