

STARTUP APPROACH IN MANAGEMENT: FASHION OR LONG-TERM STRATEGY?

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Abstract: The work is devoted to the means and methods of innovative management associated with a start-up approach, otherwise called Management 3.0 or Agile management. It is shown that management of version 3.0 as a system for coordinating linear and non-linear relations in the conditions of a network (flat) organization of the subject area of socio-economic systems represents the basis of the modern paradigm of management and self-organization accounting. The main features of the startup approach in management, potentials and pitfalls of its application in corporations are conceptually summarized.

Keywords: startup approach; innovation; project; Management 3.0.

1 Introduction

The term “startup” was first used in Forbes magazine in August 1973 and Business Week in September 1977 [18, 28]. Now the concept of startups is expanding somewhat. Often, apparently, under influence of the developing theory of project management, it is not only about startups as a temporary structure that exists to search for a reproducible and scalable business model and not about an organization that creates a new product or service in conditions of high uncertainty, but about an innovative project with a high degree of risk. That is, attention is now more often focused not on the development of a business structure created for the implementation of innovative projects, but on the development of these projects themselves [16].

An innovation can represent a specific production of scientific activity, a technical innovation that is in demand in society, understandable and accessible to the mass consumer. On the other hand, a feature of a product that is not the result of innovation, but is, for example, a successful marketing ploy, a convenient ergonomic shape, or an unexpected use of old things, can also be innovative. In this regard, special attention should be paid to the innovative component of start-up communities, in which, in addition to the classical idea of innovation by J. Schumpeter, this concept is overgrown with new strategies and programs for managing the production of modern business communities, designed for such areas as marketing and management. Therefore, innovation becomes a marker of modern startup entrepreneurial culture.

The main principles of management based on the start-up approach are as follows [5, 17, 20]:

1. Focus on future consumers. This principle means that the company's future earnings depend on how the target audience will distribute their income and on what actions the company will take to interest future consumers in products and services. The application of this principle will allow the company to actively shape the future needs of the target audience.
2. Leadership in innovation. Leaders are able to determine the future mission of the company, develop an innovation strategy, achieve the implementation of innovative creative plans for the development of the company.
3. Partnership relations with employees. Employees who are involved in innovation processes are more independent of the company. After all, their knowledge, experience, and

ability to realize their capabilities are their own means of production. Therefore, employees with non-standard thinking should be given the right to non-standard actions for the maximum realization of their own abilities.

4. Approach as a to project. To achieve the final result of innovation activity, the most acceptable type of management is project management. This approach ensures the concentration of the resources required for this and ensures the effective achievement of the desired end results.
5. System approach to management. The definition, understanding and management of a system of interrelated processes and projects in accordance with the established goal contribute to the formation of the trust of future consumers and their involvement in the circle of real consumers.
6. Continuous innovation. Products, services and processes need continuous improvement as successfully implemented projects increase customer loyalty.
7. Search for unrealized opportunities. In the innovation, in addition to facts, one can also operate with forecasts, assumptions, hypotheses, and other unreliable data. For the emergence of fundamentally new products and services, it is worth looking for unrealized opportunities.
8. Strategic partnership. New products and services can take their rightful place among the existing variety of goods only on the basis of joint activities of companies from various industries and services. Alliances, strategic associations, standardization and certification partners, etc. are needed to win over future consumers. In turn, this will lead to significantly higher business results.

Globalization 4.0 and technological progress are changing the patterns of production, consumption, and information exchange. As a result, the requirements for public policy and the work of companies are seriously changing: in these two areas, a new set of tools is emerging [7, 10]. Programs and strategies that are absolutely adequate at the time of development, in working conditions, in circumstances and events that no one could have foreseen, suddenly show flaws. Today, in order to create and maintain sustainable competitive advantages, companies have to systematically study the distant future with the help of strategic foresight: scenario planning, “horizon scanning”, and analysis of shocks that affect the strategy.

Such methodologies will help to make up the first draft of the strategic plan, given the uncertainty of the future. However, in a world where decision-making cycles are getting shorter, even these tools are no longer enough. What is needed is a more fundamental transformation – a transition to adaptive management, which, at its core, has been the basis of startup management for a couple of decades, but is still not often applied in “traditional” business models. However, increasingly more companies are experimenting with this startup-based approach to management, reformatting business models, creating turquoise organizational structures, etc. A kind of vogue, ‘fashion’ for a startup approach to leadership and management has emerged, similar to the boom of the Agile approach a decade earlier. However, without a full-fledged, comprehensive integrative understanding of the essence of the startup approach as a paradigm, its implementation often leads to the opposite result – a decline in performance and emerging serious issues with staff quit rates. New management systems, only together with people who are ready to adapt, will help to feel when it is necessary to correct the course and make a thoughtful, effective maneuver [6]. With proper application and taking into account all the nuances of the external environment, a startup approach can become a successful long-term strategy.

2 Materials and Methods

The theoretical and methodological basis of the study consisted of the scientific works of scientists, practitioners, managers, and specialists in the field of researching the problems of innovative

development of companies, innovation management, start-up economics, Management 3.0 and Marketing 3.0.

The theoretical and methodological basis of the study is a system-functional approach to the study of various phenomena and patterns of development of economic processes in the field of innovative corporate management. The study was carried out on the basis of general scientific research methods - a systematic approach, analysis and synthesis, scientific abstraction, classification and aggregation of data.

3 Results and Discussion

For many years, for most people, all processes were linear. Therefore, organizations used only simplified mechanical tools based on linear models. Today, when the post-industrial economy is giving way to the knowledge economy, the most important dilemma needs to be resolved: how to deal with the concepts and theories verified on the basis of past experience and considered reliable, which in modern conditions in many cases turn out to be ineffective due to the fact that there are no longer linear development paths, and in general any long-term trends - only large-scale, rapid changes, radical transformation, and many surprises constitute today business landscape. What worked yesterday may not work today.

The general crisis of economies and management paradigms at the beginning of the 21st century showed that order can arise spontaneously due to the appearance of disorder [2, 16, 18]. Organizational changes in such a situation may not be adequate to those changes that arise on a temporary basis spontaneously and independently of management and, accordingly, the interests and needs of the majority of participants in business processes. This reflects, on the one hand, a nonlinear model of the subject area, and on the other hand, simultaneously a linear evolution, which requires a serious approximation of the vectors of such variability.

The current situation largely changes the meaning of such basic concepts as modernization and human resource management, especially in the long term. Modernization with a constant nonlinearity in the development of the subject area of management in all vectors simultaneously is impossible. Therefore, significant changes and clarifications are also needed in the issues of leadership and human resource management methods. The variety of social networks non-linearly captures the self-organization of participants, including business processes, taking into account their national, cultural, mental, and other interests, which especially affects the meaning of leadership and the role of leaders (in management).

This situation in relation to the theory and experimental applied practice of management has created the so-called lack of paradigm (paradigmlessness) of real practice. A special conceptual direction has appeared in business processes – “implementation challenge management” as a process of managing the implementation of changes [14]. Increasing complexity becomes the only constant of management, and paradigmlessness is noticeable as the absence of some scientific and methodological unity.

Ordinary businesses are based on certainty and predictability. The future of a new startup, however, is very uncertain - a new idea should find the right path and find a wide target audience. One of the classic definitions of what a startup is belongs to Steve Blank: “A startup is a temporary organization that is used to find a repeatable and scalable business model” [22]. Paul Graham, one of the founders of the Y Combinator venture capital fund, gives the shortest and simplest formulation, which covers not only startup in its classical understanding but also in a corporate plane: “Startup = growth” [29]. Successful startups such as Uber or Airbnb grow so fast that they reach the financial performance of ‘monsters’ like Toyota or Siemens within a few years. However, large companies are also trying to implement the startup methodology in management, at the same time not realizing that corporate trips and retreats are not the same as launching incubators and laboratories, and Agile organization of

work is not identical to a startup and is not always better than the Waterfall model, being dependent on the industry and sector, the quality of the staff, and other factors. The challenges that large companies are facing when adopting, in particular, LeanStartup approach, are presented on Figure 1 below.



Figure 1. The challenges large companies face adopting LeanStartup approach [12]

At the peak of widespread use of CRM systems, many companies implemented the most advertised and expensive solutions from well-known companies such as Cisco, without having not only conducted an in-depth analysis of their business processes, but without even assessing the possibility of seamless integration of CRM into their corporate information system, and they ended up with a useless, and sometimes chaotic, CIS and HRM module. A similar situation is observed with the introduction of a startup approach in corporate management, with a complete or significant discrepancy between the business model, business processes, organizational structure, HRM landscape and the very idea, the concept of a startup approach.

Meanwhile, the startup approach and its inherent design thinking helps to avoid classic mistakes that many companies repeat, even business sharks like Apple, BlackBerry, and the like:

1. The project is launched for the reason that it is “cool”. Founders, their relatives and friends like it, but the target consumer may appear to be completely indifferent to it, for example, because the problem is not as relevant as it seems or because he has found another, more convenient solution for himself. Design thinking implies the study of customer demand in the first stage: a prototype will be created with the expectation that it will solve a specific customer problem.
2. The project has not developed a value proposition. Very often, a product simply repeats a well-known model, optimizing it according to the principle “faster/cheaper/more beautiful, etc.”. Using design thinking, a company can make its product the key to solving a user problem, address every pressing need that a customer has, and make their product truly valuable to him.

Innovation as an effective and fast business solution in the dynamic conditions of the modern market can be generally described as an acceptable combination of production capabilities with the establishment of a new sector of consumer interest, implying the presence of definition of what needs to be produced [7]. This new definition of consumer interest should be understood as the production of a new need, rather than as a correspondence to some existing need in society. This provision seems to be extremely important for determining the meaning of innovation in the modern era of a rapidly developing market and does not allow considering innovation solely as a technological innovation in the production process, but expands the meaning of the expression, forcing it to function in areas such as marketing and management [24-27]. Modern companies, instead of spending huge efforts on taking a leading position in an existing market sector, prefer to create a new sector. And in connection with this approach, we notice that innovation can no longer be perceived within the framework of the classical scientific and technological scenario of J. Schumpeter “implementation idea – product”; now its meaning is wider, and it is possible to attempt to define it as “idea - consumer interest - idea of a specific product (implementation idea) - product” [12]. Such a filling of the classical concept of innovation with excess,

marketing meaning is inevitable, if we talk about the appearance in business in the last twenty years of such a phenomenon as start-up entrepreneurship.

Modern business literature pays much attention to new methods of effective enterprise management, using in turn the expressions “innovative approach”, “innovation”, “innovative management”. The modern world space of business communities is much more heterogeneous than it was in the era of industrial society. Hwang and Horowitz [10] cite the following example in defense of this position: the success of Silicon Valley is due not only to a large number of skilled labor, huge capital and technology, but also to an exceptional difference in the sociocultural background, which is expressed in a motley socio-economic and national palette of various communities united in the valley by professional interests.

In their work, called “*The Rainforest: The Secret to Building the Next Silicon Valley*”, Hwang and Horowitz [10, p. 21-38] as a managerial technique for creating an innovative environment for startups give the following theses: people change the perception of financial failure, commercial failure from negative to positive in the case when they are given the opportunity to appreciate failure as an invaluable experience. The authors showed that it is not so much positive actions that are fixed in the mind of a person and influence his further behavior, but rather those that, thanks to the ability of the agent to positively process them, become such. What is called stress resistance in psychology here allows the agent, at the level of his professional career, to find the right solution to the actual problems associated with his professional activity. Therefore, concern for the psychological competitiveness of the worker, the departments for psychological assistance to employees that arose within large companies, which in the modern era of global business have become as necessary as the first labor unions in the last third of the 19th century (with the only difference that unions arose in spite of the interests of employers, while the initiative to offer assistance in solving the psychological problems of workers belongs to representatives of big business) are an integral part of innovative management, which is trying to solve the problem of production efficiency by improving the quality of work at all levels of using company resources, both material and human.

Below, there are examples of innovative solutions of modern and today already large brands, however, startup projects that had a past, taking into account the new understanding of innovation as a tool for generating consumer interest [21]. This clarification is extremely important, especially in an attempt to isolate the specific features of an innovation based on a characteristic common to the information society as a whole, which can be defined as the desire to change and direct the future. Those specific features of doing business in modern start-up projects that are able to generalize, give an idea of the significance of an innovative approach not in the scientific and technological field in which it was originally developed, but in modern areas of marketing and management, in which this expression found its modern, ubiquitous acceptance, are outlined.

1. A common and first sign of a meaningful doctrine of a successful startup is its focus on changing the future. Taxi service Uber has changed the future by redesigning the relationship between the seller and the buyer, this method is now actively expanding to other areas. 2GIS has changed the future by combining a city and organization map in a personal computer, smartphone and the Internet. Instagram has changed the future of photo albums: now one can share photos in the “here and now” format. Google has completely redesigned interaction with archives: today there is no need to store documents on a computer, one can leave data on Google Drive using personal file cabinet from anywhere in the world.
2. Search for a completely new niche or create one. The main idea of the founders of a startup is born when the thought comes to their mind: “Why should we do this and not otherwise?”. In the era of the gold rush in the Wild West, the principle of European feudalism still assumed, in

addition to wealth for those who found a gold mine, also monopoly power, which was assigned to the respective territory. In the modern information society, large IT companies occupy the Internet spheres in a similar way, which, with a certain amount of irony, allows speaking of virtual feudalism. For example, Google has taken over the search services market. Neither Internet Explorer (Microsoft), nor Safari, nor Opera are able to compete with Google. Facebook has taken the social media plane. The success of a startup lies not only in finding a free plane, which has received little attention before, but also in capturing the free market of consumers of this niche. These companies, in fact, captured the area of the market that they initially created and developed.

3. Attention to mistakes and viability. A modern look at the startup philosophy of E. Ries considers the concept of “axis”, that is, the ability of successful startups to quickly abandon unviable ideas. The founders roll out the business model until they find the one that is of genuine interest to the consumer. Thus, the innovative product again and again goes through the classical path from scientific knowledge to the final product [19, 21, 22].
4. The success of a project always depends on the unity of purpose that must be achieved by the whole team. In the modern view of startup projects, there is a desire to consistently move forward, pay attention to every detail of a future innovation, go back a few steps and move forward again towards the goal.
5. High communication density in the innovative startup community. In this case, it makes sense to refer to the position of Hwang and Horowitz [10], who compare the innovative process with the anastomosis of the root system of a fungus: one can separate a part from it, but it will not die, since the circulation of nutrients in the system is not interrupted in any part of the network, not depending on damage.

Startup management style is a kind of convergence of authoritative and visionary style. Authoritative managers are visionary managers who focus on communicating the overall vision of a company, department, or project to the team. If to compare managers adhered to authoritarian style and a visionary one, it can be noted that the latter are not involved in the routine tasks of employees, but focus on strategy. In addition, it is important for them that the team is motivated and focused on achieving a common goal. As a rule, managers with a visionary management style are charismatic, sociable and have a high level of emotional intelligence [20]. They are always ready for changes, they can manage them and ‘set up’ subordinates for positive. For such management to bring success to the company, the manager must have a high level of trust from the team and respect. Then, employees will listen to the leader, follow him and his vision [15].

Using the classification of T. Friedman according to three stages of the development of planar globalization (01 - based on hard Taylorism with a country driving force, 02 - as a transition to a corporate level with innovation in priorities, and 03 - as a development trend based on leadership), Hamel also summarized the opinion of 35 leading scientists, businessmen, and consultants and proposed 25 main provisions of “Management 2.0”, i.e., management of the stage of globalization 2.0 with a very distant prospect for “Management 3.0” [7]. Considering management to be invented, these authors “demand to “humanize” organizations, or to orient their management towards customers and leadership” [8, 10]. With a variety of opinions and concepts, there is a general tendency to strengthen the role of leadership, networking, and self-organization.

The following principles of the new economy become especially relevant:

- Humanization;
- Democratization;
- Variability;
- Alternativeness;

The positions of Hamel, Adizes, and their followers almost unequivocally reflect the trends of "Globalization 2.0" and its corresponding "Management 2.0", which is driven by corporate relations, while volatility is mostly predictable in a planned manner.

Self-organization, in turn, actualized several points that develop the concept of "Management 2.0", even as innovative one:

- Firstly, there is an accelerated development of horizontal (flat) network platforms;
- Secondly, the problem of leadership in such structures is actualized;
- Thirdly, it becomes possible to identify the temporary results of the synergistic effect from self-organization.

Probably, the main aspects of "Management 3.0" based on Friedman's "Globalization 3.0" are hidden here. This situation has revealed three main approaches under responsible management [16]:

- A universal Anglo-Saxon approach through a continuous sequential cascaded integration of knowledge and skills in art, design, craft, technology (including information technology), business and the home economy, which creates a complete preparation for an innovative work life;
- A cognitive approach that studies justice as a whole, avoiding its individual types (truth, law, kindness, equality, lies, deceit, betrayal, cruelty);
- HR-approach, according to which all business process participants in hierarchies and networks are selected and used in relation not to management functions, but to business process tasks.

At the same time, the network system of relations that arise in the activity of a certain system or its fragment, which is the object of coordination and management by managers, becomes the subject of management.

The most important criterion in "Management 3.0" (according to the US media) is preemption (preemption is understood here as "playing ahead of the curve").

Kotler and his co-authors use the following conceptual classification of marketing versions (taking into account T. Friedman):

- Product ("Marketing 1.0"),
- Consumer ("Marketing 2.0"),
- Changeable ("Marketing 3.0"), passing from the organization to the consumer and orientation on the individual-personality [13].

Kotler rightly argues that until now, many in organizations still use the product concept as a consequence of production technologies ("Marketing 1.0"), only occasionally switching to "Marketing 2.0", considering it a reaction to information changes in technologies [13]. At the same time, the distribution of teams and their management may be carried out according to the Agile or startup principle. Such a discrepancy naturally leads to the entropy of the organizational system.

Three types of internal organizational innovation systems are distinguished: hard innovation structure, soft, and mixed [1].

- A rigid innovation structure presupposes a strict, predetermined system for the development and implementation of innovations, based on decision-making by top management with their subsequent execution by lower levels.
- A soft innovation structure grants significant rights to grass-roots divisions in terms of making independent innovative decisions with minimal coordination at the top.
- Mixed ones involves the development of innovative proposals in departments, their expert evaluation by specialists and centralized decision-making on the implementation of innovation.

These structures can be present at the enterprise in different combinations depending on the generation of centralized or decentralized innovations. Centralized innovations are innovations, the decision to implement which is made at the top level of company management, i.e., its leadership. Decentralized innovations are those that are developed and implemented directly in the grassroots departments.

In its classical understanding, the creation and development of startup companies is not an end in itself. The main thing is not to create a successful company, but a project, an innovative startup, for the implementation of which it is created. However, speaking about startup in the established organizations, a number of experts warn: "it is not worth repeating the typical mistake of modern managers - replacing a good goal with a means to achieve it" [5].

Modern authors have clearly begun to take into account institutional and virtual factors, which by now have required the formation of a new adequate management paradigm. Management by values, i.e., by a more humane corporate culture, is a tool of "Management 3.0".

If to consider a startup not as an enterprise, but as an object of its innovative activity, then the following algorithm of such activity emerges: 1. Innovation > 2. Innovative project > 3. Innovative object. At stage 1>2, those very innovative investors (inventors, patent owners, creative entrepreneurs, professionals) are involved, who are not even necessarily isolated and are not always directly included in the cluster formed by the project manager. The role of the latter at this stage is extremely crucial. He will be able to fill the project with innovative content only if he owns modern methods, a high culture of work in the information market. For example, instead of visiting less informative thematic exhibitions and fairs, he will use the search for innovative investors using modern Internet search tools. At stage 2>3, without a doubt, the main stage of startup management comes into force - innovative engineering - "without professional creative engineering work, not a single startup, implemented only by monetary specialists and managers, will be successful" [29].

Increasingly popular synergistic approaches lead to the need to use the so-called cluster approach for the implementation of startups, which has somewhat "faded" in recent years. Some algorithm for implementing this approach has already been developed [4, 17]. Its main steps:

- Formation of the idea of a startup as an innovative project. This, apparently, is the main point of the startup strategy, and the success of the project largely depends on the correct choice of it. It ends with the preparation of an offer.
- Choosing a project manager (person or organization) is one of the most difficult stages of the preparatory stage of work. This manager is the heart of a startup, on which the success of an innovative project almost primarily depends. When choosing a project manager, it is very important to take into account, first of all, his susceptibility to innovations - the ability and interest to carry out not only the initial, but also further regular updating of production factors and output products (services) with a fairly high intensity.

A company that has chosen a startup management style should remember that when a startup grows, it is not easy to maintain enthusiasm at its former level: a direct connection between the founder and all team members becomes less tangible, if not impossible, if branches are opened in other regions. As a result, a young company, from which no one thought to leave in the first two years, suddenly loses about 40% of employees in the third year of its existence [5].

To keep staff engaged at the same level as during the launch of the project, leaders need to realize a simple fact: the old methods of leadership at the new stage of the company's development no longer work. In order to form a motivated and committed team, internal incentives are most important: autonomy ("self-

management”), competence (feeling that skills and abilities continue to improve), and “involvement” (feeling of being connected with colleagues, included in a common cause, belonging to this group of people). In order for the project to be scaled successfully, the manager needs the support of all team members, and in order to get it, it is necessary to focus on the above aspects and rebuild them from the startup philosophy to the philosophy of permanent growth, that is, balance the “pushing” leadership style (order, direct, distribute authority) with “attractive” one (delegating, collaborating, being a coach): this style ensures greater dedication and creativity of employees of any age, and at any size of the company.

The crisis of the early 21st century confronted the economy with the problem of managing chaos, which, in turn, showed the duality of the further development of economic management: consolidation through the integration of vertical structuring and at the same time its disintegration to the “molecular” level of corporations inclusively, which creates springboards for a planar functional or virtual network organization of business processes, including the activation of the functioning of innovative startups. Globalization unambiguously develops a corporate cross-border drive in accordance with its version 2.0, and thus, in accordance with the more modern version 3.0, through the verticalization of the structures of already complex and super-complex systems creates conditions for almost universal flat networking [16, 17].

One can offer the following representations of the current state, when employers sharply increase the requirements for the growth of the competence of customers and staff [8, 9]:

- 1) The globalization of business processes requires globalization of management theories (concepts), especially in the 2nd and 3rd versions; it increases chaos, instability, and self-organization by developing networking in the form of horizontal schemes (structures) of any scale, including startups;
- 2) Networking, in turn, develops temporary self-organization and, through modernization - leadership and HR management;
- 3) The situation contributes to the role of the so-called crossroads theories, which provide the conceptual and methodological connection of management with other sciences;
- 4) Social networking as ensuring the growth of the needs of small and medium-sized businesses, the development of mobing processes that contribute to the activation of startups.

At the same time, at least the actual presence of three vectors in the subject area of management should be recognized: traditional (Taylorism), institutional (“rules of the game” in the market), and virtual, which must be taken into account in practice.

A startup is not only a product, a technological breakthrough or a brilliant idea. It is, first and foremost, an enterprise created by people. A startup has value created for people who become customers, who experience the process of interacting with the company. Customers are the continuation of the product creation process. Customers become a product ecosystem. A startup as an organization is set to find a new source of value for customers. It is important to establish effective interaction of the client with the new product.

Moreover, a startup can use a variety of types of innovation: scientific discoveries, new versions of existing technologies, new business models that unlock value which was previously hidden, or simply offer products or services in new markets or introduce them to new customers. In all these cases, innovation is at the heart of a company's success.

The success of a startup is supported by facts. This is a method that allows evaluating success in the face of a high degree of uncertainty in the result. Information about results can only be obtained from facts. Facts provide fertile ground for the emergence of new knowledge about markets and consumer

preferences. Facts arise in the course of experiments. The experiment provides important data related to startup prospects (see Figure 2).

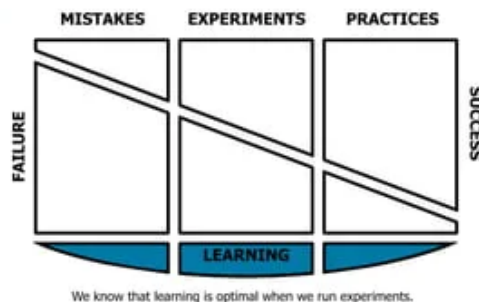


Figure 2. Startup paradigm for Management 3.0 [15]

Almost all startup actions can be viewed as experiments testing the chosen strategies. During the experiment, it is necessary to find out which strategies are justified and which are not. The experiment begins with the development of an assumption about what can happen, what result can be expected. The hypothesis is then tested empirically. However, the experiment should not be perceived as a series of actions that can be carried out randomly in search of truth. The search for truth is a function of scientific research. Therefore, the experiment is based on concepts and theories created on the basis of observations, generalizations, inductive and deductive reasoning. On the basis of scientific knowledge, a vision of a startup is developed. The purpose of the experiment is to find out how, based on the vision of a startup, to create a viable strategy, taking into account an important feature - recognition of the primacy of the individual over profit.

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Primary Paper Section: A

Secondary Paper Section: AE