**INTRODUCTION:**

The ethical decision making and the risks are closely associated with the start-up businesses. Investing in any start-up companies is considered as extremely risky however it can be rewarding too when the investments are paid off. Investing in the new ventures diversifies the risks and also forces the investors to face the fact that 90% of the companies are unable to make the initial public offering (IPO) (Drover, Wood & Fassin, 2014). Similarly for the entrepreneurs starting a new business is accompanied by number of ethical dilemmas as well as risk factors. The present paper therefore aims at examining both risks and ethical factors faced by both investors and entrepreneurs while launching a start-up business (Barringer, 2015). In order to understand these critical factors case-study based analysis approach will be taken in the paper where three start-up companies will be examined namely 99 dresses, Uber and Netflix. These three start-ups represent best examples for understanding how risks and ethical issues can potentially impact upon success or failure of the ventures.

**THE RISKS ASSESSMENTS:**

In order to examine the critical factors that has potential to decide fate of any start-up businesses it is important to understand the general life cycle of the start-ups. Broadly there are three stages of any start-ups namely the “Emergence” that involves establishment of the proof of concept and fitting the product/services in the market, the “Survival” that includes moving to new market after successfully establishing in the local market and lastly the “Accelerated growth” stage where the product/services attains the required revenue and establishes well in all the markets. Further in this stage international market exploration is also carried out whereas the business has to face number of challenges. All these stages are affected by three risk factors namely the investment risks, market risks and the business risks (Salamzadeh & Kawamorita Kesim, 2015).

**The investment risks:** These risks are mainly for the investors and are further divided into subcategories namely the principle risk, return risk, return delay and liquidity risk. Investing in any start-up business puts the entire money at risk. There are more chances that a business may fail and the stocks cannot be sold too. Therefore in such situation the investor is most likely to lose the entire sum of the investment. The return risk is the risk associated with amount of return on investment. This amount is highly variable since some start-ups are able to generate good amount in return whereas some start-ups generate only a small amount. The return in delay is the condition when the start-ups take more than five years for generating significant return of investment if any. The liquidity risk on the other hand arises since the start-ups are privately owned and hence are not traded on the public stock exchange hence there is no buyers to purchase the securities.

**The market risk:** knowing specifically your customers and their trend of buying products/services including from where they buy, how they buy and why they buy is most important and without any arguments forms the most important risk factor for the entrepreneurs wishing to launch their star-ups. The customer base and their preferences and buying behaviour should be thoroughly researched as identifying these helps in establishing in the market as well as ensuring success of the venture.

**The business risk:** This consist of overall risks such as the failure risk, the revenue risk, the funding risks, execution risk and growth risks. Being in the early phase a start-up can give no assurance for operating profitably in future. The funding requirements are also high in the initial stage due to administrative, product developing and marketing activities. On the part of entrepreneurs it is important to have proper sight of overall strategy and trajectory of the company. Overlooking crucial details compromises the long-term success contributing to execution risk. Lastly the due to lack of professional guidance the company may not be able to expand which is an important factor in determining success. Therefore this risk factor is important for both investor and entrepreneur’s point of view (Risks of Investing in Startups, 2020).

**ETHICAL ISSUES:**

Different factors affect the ethical decision making in a start-up such as the characteristics, personal situation and the context. The ethics is all about perceptions and judgement that can differ. Both entrepreneur and the investors might have different views and perception regarding ethics and ethical behaviour. The three ethical issues encountered by any start-up businesses are as follows:

**The issue in decision-making:** The ethical dilemmas can be rightly explored by identifying the right course of action, evaluating the alternative actions, collecting all the facts about market and testing the fairness of the decision and its outcomes (Fassin & Drover, 2017).

**The issue of compliance and governance:** Every business is expected to comply fully with state and federal laws, monetary reporting and abiding by all civil rights law. The commitment of a company towards all these is ascertained by its approach towards corporate governance that is conducting business in accordance to business conduct policies (Gozman, Liebenau & Mangan, 2018).

**The issue of trust between entrepreneurs and the investors:** The investors rely upon the entrepreneur for correctness of the information concerning the products/services. The investors always want their funds to be utilised in correct way therefore ethical behaviour of the entrepreneurs is very important. The knowledge and resource asymmetry always do exist between the investors and the entrepreneurs. While the entrepreneurs have the technical and product related knowledge but the investors have more knowledge about market and customer demands. Therefore respecting each other’s input is very important for ethical business (Bammens & Collewaert, 2014).

**PRIOTERIZED RISKS/ETHICAL ISSUES**

From the above mentioned risk and ethical issues the three most important that potentially impact any start-up business are investment risk, business risk and building trust between entrepreneurs and the investors. The 99dresses was a fashion application that offered platform for trading second-hand designer clothing between two users. Although initially it operated successfully but it failed due to several technical and fund issues. The 99dresses case is perfect example of poor vision and management of the entrepreneur that lead to increased risks for the investors and hence there was not enough funding to scale-up the business (Bednár & Tarišková, 2017). On the other hand both Uber and Netflix not only succeeded in the market but has successfully established in the foreign markets as well. Both Uber and Netflix paid special attention to the first stage of start-up life cycle that includes knowing your market and customer since these two are most important to reduce any kind of risks factors. According to the growth risk factor the expansion is important factor for success therefore Uber and Netflix never limited their options and diversified their services. For example, Uber started initially as ride-sharing app but it diversified its services to food delivery, boat and chopper hiring and grocery delivery as well (Dudley, Banister & Schwanen, 2017). Similarly Netflix that started as DVD rental business soon diversified their services and included streaming of original web series from across the globe (Voigt, Buliga & Michl, 2017). Therefore it was evident that due to lack of proper strategy and trajectory of the company the owner of 99dresses failed to diversify within time that lead to no gain in the new customers and eventually lost trust of investors.

 In the case of 99dresses it was positioned right in the core of the market demand of the young women delivering good cloths in cheaper deal. However it did not had any support from the fashion marketing. In addition to this knowing the demands of the customers is equally important along with marketing which was lacked by the founder of the company (Why 99 dresses- an e-commerce business with a brilliant idea failed? 2019). Secondly before investing it was important for the investors to have strong grip on the business concept and prepare backups of real business skills and networks and as founder stated that the investors backstabbed her (Durkin, 2014). In this way there would not have been failure of the venture. Apart from this founder of 99dresses lacked ethical decision making and finding an alternative to address their technological shortcomings. Had they collected all the facts regarding creating an app that can reach to maximum customers they could have had wider customer base reaching to international customers as well. Netflix and Uber too had to face some serious ethical issues such as reduction in the quality of the videos and the users are not able to enjoy the privileges of subscription that they have paid (Shaw, 2020).and privacy issue that is keeping track of the customers through different software (Chee, 2018) respectively. Apart from this Uber has also faced several other ethical and legal issues which might potentially compromise the investor and investee relationship.

**CONCLUSION:**

The paper therefore conclude that although there are several risks associated with start-up business however if there is mutual moral responsibility of both investors and the entrepreneurs there are less chances of business failures. Hence integrating ethical decision making and analyzing all the risks factors strongly impacts the success and failure of any new venture.

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