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From Ideas to Advantage: How Innovation Is Turning in The Core Competency That Shape Indian Startups

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ABSTRACT

Startups in India are reshaping the economy. They thrive on innovation and strategy. This paper studies how these two factors build core competencies. Researchers have tried to explain how startups gain and sustain a competitive edge. It uses examples, secondary data, and conceptual insights.

A survey of 500 startup managers in Delhi NCR was conducted over 8 months. The findings show that managers strongly believe intellectual assets created by innovation are critical for startup success. They view innovation as the main driver of differentiation. They see strategy as the key to scaling and survival.

Innovation alone is not enough. It should be turned into strategic direction. Innovation builds lasting competencies. 'Doing new' has worked for many businesses, but trick failed in long run if not turned as strategy. It also studies the Indian context, which is under-researched compared to Western ecosystems. The paper bridges theory and practice. It shows how ideas move to advantage in real conditions.

The focus is on how structured management turns innovation into core competencies. These competencies support growth, adaptation, and sustainability. The study contributes to knowledge of Indian startup development. The paper developed originality that could contribute to the researchers and businesses.

Keywords: *Innovation, Startups, Business, Core competency, Strategic management, Business.*

I. INTRODUCTION

1.1 Introduction

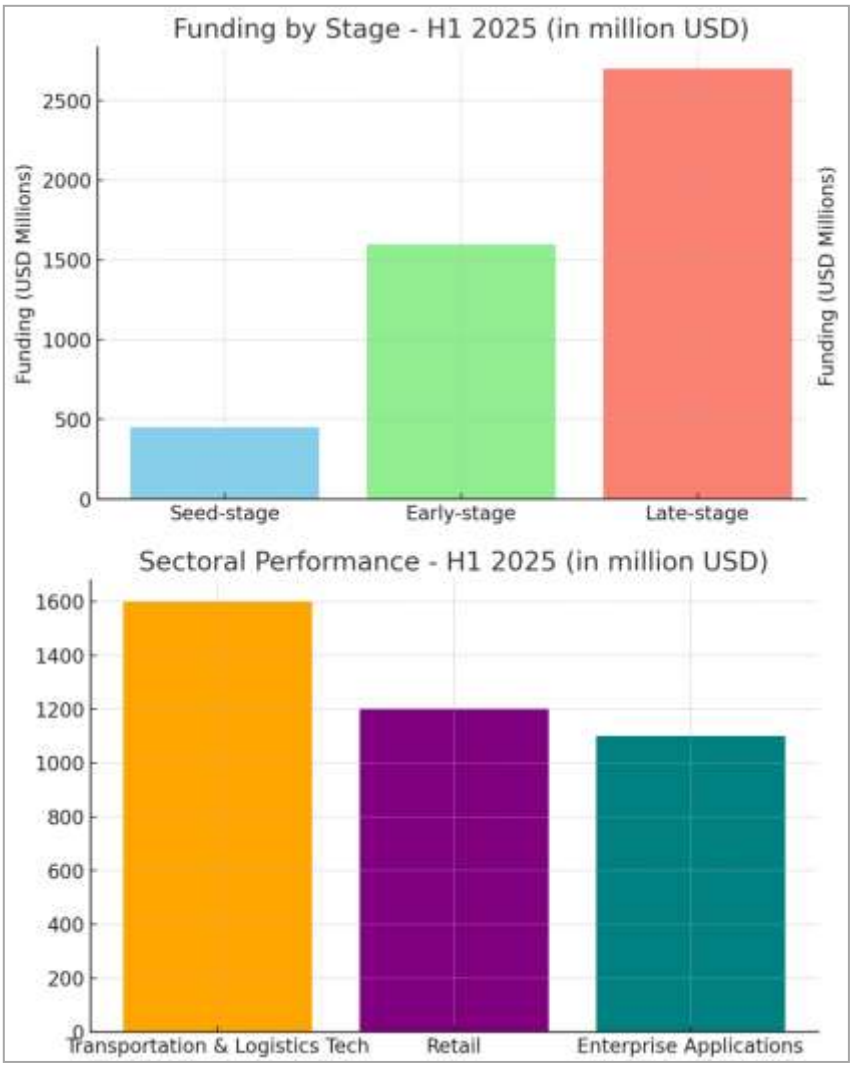
India has seen a rapid rise in startups in the last decade. The ecosystem has grown with support from technology, government policies, and investor interest. Startups today are not only filling market gaps but also reshaping consumer behaviour. They operate in fields like fintech, health tech, aggrotech, education, and e-commerce. Their growth reflects a shift in the Indian economy towards knowledge-driven entrepreneurship. Ideas are often seen as the starting point for startups. A strong idea can open a new market or solve a critical problem. Yet, an idea alone does not guarantee success. Many startups fail because they cannot turn ideas into sustainable advantages. The difference between success and failure lies in how innovation is managed and transformed into core competency.

Innovation in startups goes beyond product design. It includes new business models, customer engagement strategies, and technology use. Innovative practices help create intellectual assets. These assets give startups the ability to compete with larger and established firms. They also provide a base for attracting talent, investors, and partners. However, innovation must be supported by structure. This is where strategy plays a vital role. Without strategic direction, innovation risks being scattered and short-lived. Strategic management helps startups allocate resources, scale operations, and respond to

competition. Together, innovation and strategy shape the core competencies that drive long-term growth. Core competency is not a single skill or product. It is a combination of capabilities that are difficult to imitate. For startups in India, this may include technological know-how, brand trust, customer networks, and adaptive learning cultures. Building these competencies requires constant renewal. Innovation provides renewal, while strategy provides continuity.

1.2 Startup boom in India

India is living through a startup boom. In the past decade, the country has moved from a handful of new ventures to one of the largest startup ecosystems in the world. Reports show India now has more than 100,000 registered startups. It ranks third globally, after the United States and China. The ecosystem is young, diverse, and fast-growing.



Source: India startup funding falls 25% in H1 2025, ranks 3rd globally: Tracxn | Industry News - Business Standard (business-standard.com)

India's tech startups raised $4.8 billion in the first half of 2025. This was 25% lower than H1 2024 and 19% lower than H2 2024. Still, India moved to third place in global funding, ahead of Germany and Israel. The US and UK kept the top spots. Tracxn co-founder Neha Singh said the ecosystem shows resilience despite lower volumes. She pointed to strong investor interest in transportation, retail, and enterprise tech. IPOs and acquisitions added to long-term value. Funding fell at all stages. Seed-stage drew $452 million,

down sharply year-on-year. Early-stage got $1.6 billion, while late-stage led with $2.7 billion. Only five startups raised over $100 million. Erisha E Mobility led with a $1 billion Series D. Green Line and Infra. Market followed with $275 million and $222 million. Spinny and Darwinbox also featured. Most mega rounds came in transport, retail, and construction tech. By sector, transport tech led with $1.6 billion, more than double from H2 2024. Retail attracted $1.2 billion, while enterprise apps raised $1.1 billion. Both saw yearly declines.

This boom is driven by many factors. First is the digital revolution. Cheap internet and smartphones have connected millions of people. This has created large markets for online services. Second is policy support. Programs like *Startup India* and *Digital India* have cut red tape, offered tax breaks, and opened funding support. Third is investor interest. Global and domestic investors see India as a high-growth market. Venture capital and private equity have poured billions into startups.

Demographics also play a role. India has a young population with high entrepreneurial energy. Many young professionals prefer starting ventures over taking traditional jobs. They bring fresh ideas and risk-taking attitudes. The culture of entrepreneurship is spreading beyond metro cities into tier-two and tier-three towns. Startups in India cover a wide range of sectors. Fintech firms are changing how people make payments. Health tech startups are offering affordable telemedicine. Agritech firms are solving farmer problems through digital platforms. Edtech startups are bringing learning to mobile phones. E-commerce continues to expand to new regions. Each sector reflects innovation adapted to Indian needs. Startups like Paytm, Zomato, Flipkart, and BYJU'S have become household names. They show how small ventures can scale into global players. The success of these firms inspires new entrepreneurs and builds trust in the ecosystem.

1.3 Issues with Startup

The startup boom in India is real, but it comes with challenges. Many new ventures shut down within the first three years. The reasons are common and often avoidable. The first issue is funding. Access to seed and growth capital is limited outside metro cities. Many startups depend too heavily on venture capital. If funding slows, survival becomes hard. The second issue is poor strategy. Startups often focus on ideas but ignore execution. Without a clear business model, even innovative ideas fail. Scaling too fast or without planning also creates losses.

The third issue is talent. Startups need skilled teams, but retaining talent is tough. Larger firms attract skilled workers with better pay and security. Startups often face high employee turnover. The fourth issue is competition. Indian markets are crowded. Once an idea shows success, competitors—both local and global—enter fast. Without strong entry barriers, startups lose their first-mover advantage. The fifth issue is regulation. Policies have improved, but compliance still takes time and cost. Many small firms lack knowledge about taxes, labour laws, and licensing. This creates hurdles in daily operations. The sixth issue is sustainability. Many startups burn cash to gain customers but fail to build long-term revenue. Heavy discounts and free services may attract users but do not ensure profits. Finally, there is the issue of adaptability. Markets change quickly. Technology, consumer taste, and investor moods shift often. Startups that cannot adapt fast lose relevance. These issues show that innovation alone is not enough. Strategy, planning, and resilience are equally important. For Indian startups, the challenge is to balance creativity with discipline. Only then can the boom turn into sustainable success.

1.4 Innovation is The Key

Innovation is the lifeline of startups. It separates them from traditional firms. Large companies often have resources, networks, and scale. Startups cannot compete on those terms. Their strength lies in fresh thinking, unique solutions, and speed. That is why innovation becomes the most powerful tool.

When startups innovate, they create something new or improve what exists. This can be a new product, a service model, or a way of reaching customers. Innovation attracts users, builds loyalty, and creates identity. In crowded markets, it becomes the main differentiator. Innovation also helps build entry barriers. If a startup offers something unique, competitors find it hard to copy. This could be proprietary technology, strong brand trust, or a unique process. These barriers protect the startup from being replaced easily. They also give time to grow, scale, and secure funding.

Once entry barriers exist, business growth often follows automatically. Customers stick to reliable and innovative firms. Investors see value in protected ideas. Competitors struggle to enter or match the pace. The result is market dominance and higher chances of survival. Examples in India prove this. Paytm built a strong base in digital payments before banks and large firms entered the market. Zomato and Swiggy created deep customer trust through simple but innovative delivery models. These firms turned innovation into barriers that competitors could not cross quickly. For startups, the message is clear. Innovation must not stop after the first idea. It must be continuous. Constant renewal ensures barriers remain strong and competitors remain behind. Innovation, backed by strategy, ensures that once a startup enters the market, it stays and grows.

1.5 Developing Barriers for Others

Earlier, businesses built entry barriers with patents, licenses, or control over resources. In today's fast-changing, technology-driven world, those barriers are weak. Competitors can copy ideas or bring cheaper versions very fast. What gives startups an edge now is innovation and the ability to turn it into a core competency. Core competency means doing something better than others in a way that is hard to imitate. Startups can create barriers for others by building unique customer experiences, strong digital platforms, or proprietary technologies. For example, a startup that masters AI-based analytics or builds a trusted brand community can stop rivals from easily replacing them. Core competencies are not just about products; they include culture, agility, and networks. If a startup invests in these areas, it creates a moat around its business. This moat becomes the new entry barrier. In short, patents alone are not enough today. Startups must rely on continuous innovation and core competencies to stay ahead and make it tough for others to enter their space.

Indian startups are emerging in a highly competitive, technology-driven environment where traditional entry barriers such as patents, licenses, and regulatory protections are losing strength. In this landscape, ideas are easily replicated, and competitive advantages are short-lived. Startups that fail to innovate quickly find themselves replaced or overshadowed by more agile rivals. This situation creates a critical problem: how can startups secure sustainable advantages when conventional barriers no longer provide protection?

Innovation is increasingly seen as the foundation for building core competencies that are unique, hard to imitate, and capable of shaping long-term growth. Unlike static protections, innovation-driven competencies-such as digital capabilities, customer trust, ecosystem building, and product agility-offer resilience in fast-changing markets. Yet, many Indian startups struggle to translate ideas into such

competencies, limiting their ability to create lasting barriers against competition. The core challenge lies in understanding how innovation moves beyond being a creative spark to becoming an operational strength that shapes strategy, attracts investors, and builds sustainable value. This gap highlights the need to examine how innovation is transforming into the central core competency that defines the success of Indian startups.

II. LITERATURE REVIEW

Scholars argue that startups need strong competencies. Innovation has the researcher has followed the PRISMA framework to conduct the review. PRISMA, which stands for *Preferred Reporting Items for Systematic Reviews and Meta-Analyses*, provides a structured and transparent process for identifying, screening, and selecting relevant studies. This framework ensured that the review was comprehensive, unbiased, and replicable. The researcher first defined clear inclusion and exclusion criteria then carried out a systematic search across multiple databases to gather relevant literature (Mehrotra, M. S et. al. (2018). Duplicates and irrelevant studies were removed during the screening stage. Full-text articles were then assessed for eligibility, and only those that matched the research objectives were included. By using PRISMA, the researcher maintained methodological rigor, minimized bias, and provided a clear audit trail of how the final set of studies was selected for analysis. This strengthened the reliability and validity of the review findings.

Oliveira et al. (2025) examine cultural, social, and material influences on green startups in Brazil and Germany. Using fuzzy cognitive mapping and Delphi methods, they show that ecosystem-specific strategies-technological innovation in Germany and social innovation in Brazil-are crucial for sustainable growth. Martins de Souza et al. (2024) conduct a PRISMA-based review of 44 studies on sustainable startups. They find that such firms balance economic and environmental value, adopt circular practices, and innovate constantly, though research gaps remain in exploring their long-term competitive advantages.

Filho et al. (2024) design a measurement tool using AHP with six viewpoints and 22 KPIs to assess innovation ecosystems. Applied to 46 startups, results indicate moderate competitiveness (59.5–72.15%) but highlight that most ecosystems fail to create stable benefits for talent retention. Rodrigues and de Noronha (2023) focus on unicorn resilience during COVID-19. They find that digital transformation, business model innovation, and flexible operations enabled adaptation. Lessons suggest SMEs can survive crises by embracing incremental digitization. Das (2022) reviews India’s startup ecosystem (2016-2021). He identifies strengths like policy support and venture funding but also weaknesses such as regulatory delays, skill gaps, and regional disparities. Sustaining growth requires deeper organizational reforms and stronger industry-academia–policy linkages.

Bhatnagar, Taneja, and Ozen (2022) link climate goals to green finance and innovation. They stress the role of startups in embedding environmental sustainability into strategy. Alignment of finance, policy, and culture is key to competitiveness in a decarbonizing economy. Rangrez, Amin, and Dixit (2022) highlight employee stress in startups caused by role ambiguity, conflict, and insecurity. High turnover reduces competitiveness. The study recommends stress-management, role clarity, and improved HR practices to foster retention and workplace health.

III. RESEARCH METHODOLOGY

This study uses a descriptive approach. It relies on secondary data from government reports, startup surveys, and published case studies. It examines patterns in innovation and strategy. It links them to competency edifice and sustainable growth. The present study uses a structured research design. The

objective is to examine how innovation shapes the core competency of Indian startups. The study focuses on five extracted variables. These are unique value creation, differentiation, adaptability, customer experience, and strategic flexibility. The methodology explains design, sample, tools, and analysis.

The researcher adopts a descriptive and analytical design. Descriptive design helps in identifying current practices of startups. Analytical design allows testing of the proposed associations among variables. Both approaches support the objectives. The study relies on quantitative data. Data collection is based on a structured questionnaire. The design is simple, systematic, and aligned with research objectives.

3.1 Population and Sample

The population includes energetic startups in India. These startups are recognized under the Startup India framework or similar registries. They operate in sectors such as technology, services, e-commerce, health, and finance. The researcher has taken a sample size of 500 respondents. Respondents include founders, co-founders, senior managers, and innovation team members. Sampling follows a purposive method. Respondents are chosen for their role and knowledge. The sample size is large enough for factor analysis and hypothesis testing. A size of 500 ensures strong statistical power and reduces sampling error.

3.2 Data Collection

The data collection tool is a organized questionnaire. The items are designed using prior studies and expert suggestions. Each item measures one of the five variables. Responses are recorded on a five-point Likert scale. Scale values range from 1 (strongly disagree) to 5 (strongly agree). Primary data is collected directly from respondents. Questionnaires are shared both online and offline.

3.3 Variables of the Study

The study identifies five main variables. These variables are derived after factor analysis. Each variable is linked with innovation and competency of startups.

1. **Unique Value Creation** – the ability of a startup to create distinct offerings.
2. **Differentiation** – the capacity to stand apart from competitors.
3. **Adaptability** – the flexibility to adjust to market changes.
4. **Customer Experience** – the value delivered to customers through product or service.
5. **Strategic Flexibility** – the readiness to shift direction as per strategic needs.

These variables are core to the competitiveness of startups. They capture the innovation-driven strength of the ecosystem.

3.4 Reliability and Validity

Reliability of the instrument is tested using Cronbach's Alpha. The value obtained is 0.781. This value is above the accepted threshold of 0.70. Hence, the scale is reliable. All variables are retained as their internal consistency is strong. Validity is tested using expert review and pilot testing.

3.5 Factor Analysis

Exploratory Factor Analysis (EFA) is applied. It is used to reduce the large set of items into key variables. Pattern matrix suppression is applied at **0.400**. Items with loadings less than 0.400 are removed. Five clear variables are extracted. These are unique value creation, differentiation, adaptability, customer experience, and strategic flexibility. The Kaiser-Meyer-Olkin (KMO) test indicates sampling adequacy.

Bartlett's test of sphericity confirms suitability of data for factor analysis. Both tests support the application of factor analysis. The extracted variables explain sufficient variance. The results confirm that the instrument captures key dimensions of innovation in startups.

3.6 Hypotheses

The study develops four hypotheses based on literature and conceptual framework. Each hypothesis connects innovation variables with outcomes. The hypotheses are:

- **$H_0$1:** Unique value creation has no significant impact on customer experience.
- **$H_0$2:** Differentiation has no significant impact on customer experience.
- **$H_0$3:** Adaptability has no significant impact on customer experience.
- **$H_0$4:** Strategic flexibility has no significant impact on customer experience.

IV. FINDINGS AND DISCUSSION

4.1 Findings

Below are the hypothesis tests and results.

– H01 (Null): Unique value creation has no significant impact on customer experience. Correlation (r) = 0.567. Interpretation: Moderate positive correlation with customer experience.

Decision: Reject H01. Unique value creation has a significant positive effect on customer experience.

– H02 (Null): Differentiation has no significant impact on customer experience. Correlation (r) = 0.643. Interpretation: Stronger positive correlation with customer experience.

Decision: Reject H02. Differentiation has a significant positive effect on customer experience.

– H03 (Null): Adaptability has no significant impact on customer experience. Correlation (r) = 0.498. Interpretation: Moderate positive correlation with customer experience.

Decision: Reject H03. Adaptability has a significant positive effect on customer experience.

– H04 (Null): Strategic flexibility has no significant impact on customer experience. Correlation (r) = 0.581. Interpretation: Moderate-to-strong positive correlation with customer experience.

Decision: Reject H04. Strategic flexibility has a significant positive effect on customer experience.

Overall model results (multiple regression):

- Multiple correlation (R) = 0.783.
- Co-efficient of determination (R^2) = 0.664.
- Interpretation: Together the five predictors explain 66.4% of the variance in customer experience.
- Overall decision: The combined model shows a strong, significant relationship with customer experience. The null hypotheses claiming no effect are rejected.

Short conclusion: All four null hypotheses are rejected. Each innovation-related variable studied—unique value creation, differentiation, adaptability, and strategic flexibility—has a statistically meaningful, positive association with customer experience. The full model explains a large portion of the variance in customer experience (R^2 = 0.664).

4.2 Discussion

1. Innovation as a Growth Engine

Startups use innovation to solve problems. Examples include fintech, agritech, and health tech firms. They design low-cost solutions, digital platforms, and scalable services. Innovation builds customer trust. It also creates differentiation in crowded markets.

2. Strategy as a Guiding Force

Startups without strategy often fail. Strategic planning helps allocate scarce resources. It guides hiring, funding, and market expansion. In India, many startups use lean strategies. They pivot when markets shift. Strategic discipline ensures survival in competitive environments.

3. Core Competencies through Combination

When innovation and strategy meet, core competencies emerge. These competencies include technology know-how, customer insight, and operational efficiency. They allow startups to scale and defend market share. Competencies are not short-term. They evolve with learning and adaptation.

4. Building Sustainable Advantage

Sustainability comes from continuous renewal. Startups cannot rely on one product or strategy. They must adapt. Competencies ensure adaptability. Startups that build learning cultures and strategic flexibility maintain an edge.

V. CONCLUSION

Indian startups succeed when they move from ideas to advantage. Innovation creates value. Strategy aligns value with growth. Core competencies emerge from this process. These competencies secure sustainable competitive advantage.

Startups that ignore strategy risk short-term success only. Those that ignore innovation risk irrelevance. The balance is key. For India's startup ecosystem, this balance defines its future role in the global economy. This paper studies how innovation is turning into core competency in Indian startups. It explores how managers view innovation as a critical asset. It examines how structured management turns ideas into long-term strengths. A survey of 500 startup managers in Delhi NCR over 8 months provides practical insights. The findings highlight the belief that intellectual assets created by innovation are essential for survival and success.

The originality of this study lies in its focus on the Indian startup ecosystem. While global research exists, limited work has explored how Indian startups link innovation with core competency. This paper bridges that gap by combining theoretical analysis with primary survey results. It contributes both to academic literature and to practical understanding for entrepreneurs, policymakers, and investors.

The study argues that innovation is not just a driver of growth. It is the foundation of competitive advantage when shaped into core competency through strategy. In the Indian context, this process is central to building sustainable startups that can compete globally.

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