Reviews

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Review of the book:
Ryszard Pukała, *Ubezpieczenie w finansowaniu skutków ryzyka start-upów* [*Insurance in financing the effects of start-up risk*], CeDeWu, Warsaw 2021

Ryszard Jerzy Pukała, a professor at the Cracow University of Economics, is the author of numerous scientific publications in the fields of finance and risk management. His publications focus on topics such as risk management in enterprises, financing business activities, and instruments supporting the financial stability of economic entities. The monograph *"Insurance in Financing the Effects of Start-up Risk"* represents a continuation of his previous works, offering a new perspective to the discussion on risk management in innovative enterprises.

The scope of the author's scientific research includes the analysis of financial and insurance mechanisms that support enterprises at various stages of their development. Emphasis is placed on the specific needs of startups, which, due to their nature – lack of stable revenue sources, high market uncertainty, and limited resources – are more exposed to risk than traditional enterprises.

The considerations presented in the dissertation are organized into four chapters, preceded by an introduction and concluded with a summary. Each chapter ends with concluding remarks that highlight the key points in a clear and concise bullet-point format, enhancing the clarity and coherence of the argumentation.

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In the introduction, the author outlines the primary research objective and presents the associated research hypotheses. The main aim of the study is to identify the types of risks faced by startups and explore the potential application of insurance methods in managing these risks and financing their consequences, tailored to the various stages of startup development.

It is worth noting that the considerations presented in the monograph are not limited to theoretical analyses. The author bases his conclusions on empirical research involving representatives of startups as well as experts from the financial and insurance industries. This approach allows the monograph to combine a theoretical perspective with practical insights, providing readers with a comprehensive understanding of the topics discussed.

First and foremost, the author deserves recognition for addressing an issue of significant importance to both academia and economic practice. Risk is an inherent aspect of startup operations, and its effective management is crucial for their survival and growth. The author successfully demonstrates that insurance can be one of the key tools supporting the development of startups.

In the first chapter, the author introduces the fundamental concepts related to innovation and startups, establishing a solid theoretical foundation for subsequent discussions. The chapter is well-structured, with clearly delineated subsections guiding the reader through key aspects of innovation. These include definitions of innovation, innovative activities, and innovative enterprises (referred to by the author as "innovative firms"), culminating in a discussion of innovation creation models. The author focuses on two key models: the STI model (Science, Technology, Innovation), which is based on R&D investment, and the DUI model (Doing, Using, Interacting), which emphasizes learning through relationships and interactions with research institutions, customers, and suppliers.

Highlighting the significance of startups for the economy, the author also outlines the major categories of their socio-economic impact. In the next subsection, titled *The Essence of Start-Ups as Innovative Enterprises*, the author presents a comprehensive overview of startup definitions, emphasizing both their distinctive characteristics and lesser-known attributes associated with their operations. Additionally, the chapter includes an insightful analysis of the similarities and differences between startups and micro or small enterprises, to which startups are often compared. This comparison enhances the understanding of the unique nature of startups in contrast to traditional businesses.

The subsection titled *Life Cycles of a Start-Up* offers a comprehensive overview of various approaches to defining the stages of startup development. The author provides a detailed description of the following development models: customer-based, product-based, investment-based, operational, and product-operational. This chapter integrates elements of management and economics, giving it a broad context and enhancing its value for both scholars and practitioners. The introduction of business models and their relationship to innovation highlights the practical application of these considerations.

The review of support mechanisms for startups in Poland is particularly noteworthy, especially in the context of the business ecosystem and its key components. The author focuses on the definition of the startup ecosystem based on theoretical frameworks and relevant literature. Emphasis is placed on the role of business support institutions, such as accelerators, technology hubs, investment funds, and technology transfer centers. The author discusses the specific characteristics of the Polish startup support ecosystem, including existing support mechanisms[1]. However, the analysis lacks a critical perspective on their effectiveness. Do programs like *Scale Up* truly lead to sustainable growth and innovation? Are there any limitations to these solutions?

The subsection on startup financing leaves something to be desired. The author, citing M. Krawczyk, notes that the financial market offers enterprises a wide range of funding opportunities. However, the topic of new technologies, which significantly influence the development of financing sources, seems to be addressed only superficially. Digital financial instruments, such as ICOs (Initial Coin Offerings) and STOs (Security Token Offerings) (Cegielska 2023, p. 231), are notably absent from the discussion. Moreover, while the author emphasizes the importance of traditional bank loans (Koleśnik 2018, p. 246), which are more suitable for established businesses than for startups, there is no reference to a fundamental alternative source of capital such as crowdfunding (Cegielska 2024). This topic is merely mentioned in a diagram, but without further elaboration in the text.

Similarly, the role of family offices, which are increasingly important in startup financing, seems to be overlooked. According to M. Kozińska (2020), family offices are a crucial component of the financial market, particularly in supporting startups and innovative ventures. Family offices provide long-term capital, which stands in contrast to traditional forms of financing such as bank loans or venture capital funds. Their investments are more flexible and often prioritize the quality and innovation of projects.

In the second chapter, the author focuses on analyzing risk in the context of startup operations and the methods for managing it. Both the theoretical aspects of risk and the results of the author's own research are presented, providing a comprehensive understanding of the issue.

The author succinctly outlines various approaches to defining risk and offers a unique definition tailored to the specific characteristics of startup activities. Key elements related to risk in startups are discussed in an accessible manner, particularly in the context of different stages of their development (e.g., the vision, formation, validation, scaling, and maturity stages). This approach allows for

[1] P. Kuszewski emphasizes that, to enhance the effectiveness of innovation support, it is essential not only to fund research but also to facilitate communication between researchers and startups. Source: Kuszewski (2022, p. 82–92).

a better understanding of risk and its role as a factor that determines the growth of startups. The author also emphasizes the important relationship between income and risk in startup activities.

It is worth highlighting that the second chapter includes highly engaging results from the author's own research. The author identifies key risk areas and conducts an analysis and classification of risks based on their significance for startup founders, which could serve as an intriguing area for further research.

The author presents the results of a conducted survey aimed, among other things, at analyzing various approaches to risk management in start-ups depending on the stage of a start-up's develoment. A key point in the chapter is the emphasis on the benefits of well-identified risk categories and the effective implementation of preventive measures, which are highly advantageous for a start-up's long-term success.

The author examines risk management in startups from three perspectives: functional, subjective, and operational. Each perspective is thoroughly described, with particular emphasis on the importance of the decision-making phase within the functional framework, viewed from the standpoint of startup risk management.

It seems however that the chapter should be expanded by concrete examples or case studies that could illustrate the theoretical concepts presented. Such examples would help readers better understand how different approaches to risk management work in practice.

Additionally, the language used is at times complex and requires familiarity with specialized terms in risk management and finance. This could pose a challenge for beginner entrepreneurs, potentially limiting the chapter's accessibility to a broader audience.

The second chapter offers an engaging exploration of risk management in startup operations, particularly focusing on how risk evolves at different stages of a startup's development. Its strength lies in its practical approach and reliance on empirical research, which enhances the credibility of the presented arguments. However, the chapter could be further enriched by including more case studies and a more detailed discussion of available risk financing instruments. Its educational value would also benefit from the use of simpler language and greater attention to the needs of startup founders during the earlier stages of their ventures.

Overall, the second chapter is a valuable contribution to the literature on risk management in startups, though certain areas would benefit from minor elaboration to fully align with the expectations set in the introduction.

The third chapter focuses on the use of insurance as a risk transfer tool for startups. This chapter can be split into two distinct parts. The subject of the first two subchapters is the use of insurance by companies and factors that impact willingness to use insurance. Discussion in this part also covers broader aspects of risk-taking such as adverse selection, moral hazard, and behavioral aspects of insurance use.

Although the author focuses on startups, most of the discussion in this part of the third chapter is applicable not only to startups but to companies in general.

In the second part of the third chapter, the author describes and discusses a survey conducted on the sample of 202 startups. The goal of the survey is to verify how startups perceive the usefulness of insurance in its operations, what is a scope of insurance purchased by startups, and what factors make startups decide not to purchase insurance coverage. This part of the third chapter presents new and interesting data on how startups perceive the usefulness of insurance and what are key barriers to broader use of insurance by companies developing its business model. Although the author uses simple statistical tools, mostly descriptive statistics, the presented results paint an interesting picture of risk perception by startup managers. The key takeaway from this chapter is the lack of insurance use by over 50% of startups. This can be explained by lack of property that can be insured or the unwillingness of startup founders to use scarce resources to pay for an insurance while funds can be better used to finance growth and development of the company. Nevertheless, startup managers are aware of risks that can be insured and how they can impact operations of their companies. The lack of insurance often stems from a different set of priorities of startup managers compared to those managing more established entities.

Some aspects of the discussion in the third chapter could be more developed. Firstly, the author focuses on Polish startups. Comparing those results to similar studies, if only they exist, from other markets could provide interesting perspective on differences between startups in other countries. Another possible direction of extending the scope of the third chapter could be providing an in-depth look into cases studies of specific startups and their approach to insurance products. Given that several new companies perceive regulations as an unnecessary burden, it would be interesting to specifically look at the use of civil liability insurance by new companies trying to innovate in highly regulated industries – fintechs in banking and insurtechs in insurance.

The chapter is a comprehensive study of issues related to risk insurance in startups. It is particularly valuable for managers of young companies and for insurance companies that would like to better adapt their products to the needs of innovative enterprises. Despite a few shortcomings, such as the lack of international comparisons or case studies, the chapter offers many practical tips and in-depth analyses, making it a valuable contribution to the risk management literature.

The chapter is a valuable study for people interested in risk management in startups, especially in the context of insurance. The results of the research and the author's analyses are well justified and supported by relevant statistical data. Guidance on how to use insurance as a risk management tool can be particularly helpful for decision-makers in startups and for insurance companies developing offerings aimed at this sector. The chapter deserves praise for its substantive approach and wide range of analysis, but further inclusion of practical examples could increase its utility value for non-scientists.

The fourth chapter is devoted to the evaluation and proposal of modification of existing insurance solutions to adapt them to the specifics of startups. The author clearly points out that startups, due to their high innovation, high dynamics and unpredictability, require more flexible and more adapted risk financing tools. The possibilities of modifying insurance methods are discussed, taking into account different phases of development. As a result, it provides practical tips for startups in different market and financial situations. Considering aspects such as captive insurance, micro-insurance or common funds shows the diversity of potential solutions.

The chapter is based on research conducted among startup decision-makers. The data presented in the tables and charts are convincing and illustrate well the current needs and limitations of startups.

The author points out that traditional insurance products often do not meet the needs of startups, due to their dynamic nature and the complexity of the services and products offered. It is therefore advisable to develop more flexible and innovative solutions that could more effectively respond to the changing needs of the market.

The chapter could be enriched with specific examples of the application of these models in practice, which would increase its value for practitioners. While the author mentions some limitations and challenges, such as a lack of knowledge among startups or insufficient flexibility for insurers, more detailed analysis of how these barriers can be overcome would be appreciated. The chapter focuses mainly on solutions in Poland, not considering potential inspirations from international markets.

The author paid particular attention to the specificity of startups as entities operating in conditions of high uncertainty. However, whether all the proposed insurance instruments could be equally effective in different sectors of the economy remains unaddressed. This leaves room for further research. As a result of the conducted analyses, the author diagnosed that the key challenge for startups is to adapt the available financial instruments to their specific needs and capabilities. In the conclusions of the analyzed monograph, the author comes to the conclusion that insurance can significantly increase the financial stability of startups and support their development, provided that it is properly adapted to the nature of their business.

The modern economy is in a phase of dynamic technological, social and market changes, which requires flexibility, creativity, and adaptability from enterprises. Process automation, the development of artificial intelligence and the Internet of Things are just some of the factors influencing the need to redefine business strategies.

Startups, as an exceptionally dynamic and innovative group of enterprises, play a key role in the process of economic transformation. Their success depends largely on their ability to identify risks that may limit their development and on the implementation of appropriate tools to manage these risks. The author emphasizes that effective mitigation of financial, market and technological risks requires not only appropriate actions for the enterprises themselves, but also the support of external institutions.

One of the key conclusions is to point to the need to better tailor insurance offers to the specific needs of startups, which are often not reflected in traditional insurance models. The author draws attention to the differences in motivations and approach to risk management depending on the stages of startup development, which requires more flexible and individualized solutions.

The conclusion of the monograph also emphasizes the importance of cooperation between startups and external entities, such as investment funds, business accelerators or insurance companies. The author argues that the development of mutual funds and other innovative methods of risk finance can play an important role in increasing the resilience of startups to changing market conditions.

The monograph ends with a positive message regarding the role of startups as the engine of the innovative economy, at the same time drawing attention to the challenges related to their functioning in a dynamically changing environment.

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