

The External Factors Critical Success of the Digital Startup Company In Indonesia

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Abstrak

Tulisan ini membedakan faktor penentu keberhasilan perusahaan startup di Indonesia. Sampel yang digunakan adalah 5 unicorn dalam bisnis inti berbeda dengan valuasi lebih dari \$1 miliar dan berkembang pesat. Kami menggunakan data dari situs web dan artikel dari sumber terpercaya untuk memeriksa 21 faktor penentu keberhasilan. Kami menemukan bahwa sebagian besar perusahaan startup memiliki semua faktor misalnya kemampuan bisnis teknologi dari tim pendiri, motivasi awal wirausaha, modal ventura, usia organisasi, inovasi produk, dan mitra. Namun, tidak ada satupun perusahaan yang memiliki faktor ini kecuali kebijakan sains dan teknologi serta pengalaman dalam penelitian dan pengembangan dari tim pendiri

Kata Kunci: *Critical Sccess, Perusahaan Startup, Valuasi, Unicorn*

Abstract

This paper distinguish the critical factor success startup company in Indonesia. The sample used are 5 unicorn in different core business with valuation more than \$1 milliard and fast growing. We use data from website and article from reliable resources in order to examine 21 critical success factors. We found that most of startup company have all the factor for instance Technological business capabilities of the founding team, Initial motivation of the entrepreneur, Venture capital, Organizational age, Product Innovation and partner. However, none of the company have these factor supposing science and technology policy and Experience in R&D of the founding team

Keywords: *Critical Sccess, Startup Company, Valuation, Unicorn*

INTRODUCTION

According to the Center of Economics and Law Studies (CELIOS) Indonesia is the country with the fifth-largest population of startup businesses worldwide, there are 2.203 startup companies in total. Indonesian position after the United States, India, Canada, and the United Kingdom. Additionally, according to the Startup Global Ecosystem Study Jakarta is the third most developed startup environment globally behind Mumbai and Copenhagen,. To increase the number of startups in Indonesia and support the country's economic growth, more startup businesses related to digital business must be formed.

The contribution of startup business is significant to Indonesia economic growth found by INDEF that the digital economy contributed over 814 trillion rupiahs to the Indonesian PDB in 2018 and , it generates 5,7 million jobs for society. Kelley & Nakosteen (2005) argue that the growth of a nation's economy depends on startups company and this is more significant in emerging nations. Furthermore, the government is paying greater attention support the new startup established. Indonesia has a potential market for new goods and services that need to be developed.

The rise of new businesses is related to the number of internet users. Especially startup company that have related to technology. Startup definition by Granlund (2005) is fast growth or known fast growing firms that their operation related to business technology, biotech (life science) industry (called New Economy Firms, NEF).

According to the Indonesian Internet Service Providers Association (APJII) The percentage of internet users in Indonesia is rising, startup as a new business industry has a respectable possibility to secure the market. More prosperous startups contribute to a nation's healthy economy. However, Preisdorfer et al., 2012 argue that the high failure rate of beginning companies is due to their unclear and dangerous conditions. Moreover, Ejermo & Xiao (2014) found that only 21% of IT startups in Sweden between 1990 and 2000 reportedly survived after 5 years. Hyder & Lussier (2016) added that more than 80% of startups fail in their first year, and knowing the crucial element will help the new startup business fulfill it and achieve success in the future. By knowing the key success of startup company, it will increase the number of success startup company especially in Indonesia. The established startup company may imitate the factors that having by the success startup company.

The GDP contribution of a new startup company depends on its level of success. The researchers have discovered many definitions of successful startups. We use the word "success" in relation to several outcomes. According to study by Spiegel (2015), successful startups is having strong financial performance. Moreover, Wing ki et al. (2005) discovered that the company's sales and profitability growth could be comparable to or greater than the industry as a whole. Besides making a profit, March et al. (2004) discovered that the firm had created a large number of jobs, and Sulayman (2014) defined success as doing something that enhances the lives of others. The more employees a firm has, the more profitable it is and it gives more beneficial to the employee and society. Due to the effect of the startup company to the economic growth, the establishment of startup company need to be developed.

The probability of startup to be success have effected by several factors. Kaplan and Schoar (2005) found that the importance factors is capital and Gompers, Kovner, Lerner, and Scharfstein (2008), argue that the capital is one of primary determinant to entry the innovative market. Additionally, Rhodes-Kropf, M. (2015) show that the market and financing have a close relationship, besides financing and innovation are also related.

From the background it can be imply that there is important to distinguish the factor external in startup companies. So that, there will be more success startup company that will effect the economy growth, job opportunities and could increase the welfare of the interest party such as owner, management, business client, etc. The research conduct by using the external factor founded by Santisteban et al. (2017) discovered in Indonesia unicorn startup company as an object to answer the research question.

METHOD

The method that we used in this paper is by investigating the external factor in startup company. We found the information from reliable information from website. We identify the crucial success element of the top five startup companies in Indonesia by researching websites and articles from reputable sources. The sample we use is the unicorn company startup in Indonesia means that the valuation of the startup company more than US\$1 miliar. They are in variety of businesses, including delivery, travel, financial technology, e-commerce, and e-wallets. Santisteban's (2017) found there are 21 factor that effect startup company. They divides the factors into organizational factors, individual factors and external factors. In this paper we focus on external factors, consist of 5 factors. There are Government support, Venture capital, Level of competence, Dynamism of the environment, Science and technology policy.

We use success startup company who have decacorn and unicorn stage. According to Hurun Report and Cb Insight, J&T Express valuation is US\$ 20 billion. It turn to be the second decacorn in Indonesia after GOTO valuation US\$40 billion. Decacorn itself is the startup company who have valuation more than US\$10 billion. In unicorn stage there are Bukalapak valuation US\$ 6 billion, Traveloka valuation US\$ 3 billion and OVO valuation US\$ 2.9 billion.

The valuation for company who in startup stage is more than US\$ 1 billion. This sample ensure that we distinguish the company who have high valuation that can be imitate by another startup company to be success in the future.

RESULT AND DISCUSSION

GOTO is digital technology company operate in Indonesia. This company is alliance between gojek and Tokopedia. Tokopedia establishes in 2009 and Gojek in 2016. The core business of Gojek is online transportation platform and Tokopedia is the biggest online marketplace in Indonesia. GOTO provide transportation service for example GORIDE for motorcycle, GOCAR for car, logistic service on demand GOSEND and market place Tokopedia. Beside that there also digital money or e-wallet called Gopay, cashier application or MokaPos and payment application Midtrans. In 2022 GOTO become the first Decacorn in Indonesia and become the first public company listed in south east Asian with the first tender is US 1.1 milliar. GOTO itself have contribute 2% to Indonesia PDB.

Traveloka is company who provide service related to the ticket airlines and hotel application focus on Indonesia region. It is established in 2012 and now is on unicorn position and develop the ticket for train, bus, car rent and tour object. Traveloka have expand their business in to other country in south east asia such as Singapore, Malaysia, Vietnam, Thailand and Philippines. In 2017 traveloka expand their business by making application called Traveloka eats, this application provide various feature such as directory restaurant, categorizing, Desain restaurant, feature book restaurant and review restaurant.

OVO established in 2017 found by Lippo group, provide e-wallet service for transaction in Indonesia. Currently OVO develop their service into financial service such as loan, investment and insurance. OVO have operate in 354 city in Indonesia and the costumer could pay, transfer, top up and withdraw fund. In 2019 OVO become the 5th unicorn in Indonesia. Due to the cash less culture, OVO become more popular and the growth reach 400%. In 2021 Grab own 90% share of OVO from Lippo group.

Bukalapak is found in 2010, for accommodate Small Medium Enterprises (SME) in Indonesia. Their business have developed in to platform all commerce and expand to online to offline, business to business, financial and logistic. Until 2023 Bukalapak have 130 million costumer, 16.8 SME and settle 2 million transaction every day. The first IPO for BukaLapak is in 2021 and become the largest in the history of Indonesian capital market for USD 1.5 billion. This condition made Bukalapak the first initial listing of shares by a technology unicorn on a stock exchange in South East Asia. Along 2022 Bukalapak have profit 1.983 trillion rupiah and keep increase in the next year.

J&T express found in 2015 based in Jakarta, Indonesia. The company core business is expedition focus on sending cargo package. In 2023 it cover 13 country such as Tiongkok, Indonesia, Vietnam, Malaysia, Thailand, Filipina, Kamboja, Singapura, Uni Emirat Arab, Arab Saudi, Brasil, Meksiko, dan Mesir and service more than 2 billion costumer around the world. Top brand award Indonesia have given to this company in 2018 and 2019. J&T express in 2021 is rank on 16 biggest unicorn in Indonesia and become second decacorn in Indonesia.

The result was gathered from trustworthy source by matching the definition of each factors and the circumstances which are actually happening in the unicorn startup company in Indonesia. The information was acquired from the corporate website, earlier research, and social media. According to the results. The result gathered below table External Factors That Influence the Success Of The Startup.

Table 1. External Factors That Influence The Success Of The Startup

NO	Factor	J&T	Traveloka	GOTO	OVO	Bukalapak
		Express				
1.	Government support (+)	-	-	V	-	-
2.	Venture capital (+)	V	V	V	V	V
3.	Level of competence	V	-	V	V	-

4.	Dynamism of the environment	-	-	-	-	V
5.	Science and technology policy (+)	V	V	V	V	V

There is only GOTO who have the government support compare to others startup company. Goto is the merger of GOJEK and Tokopedia in 2023. Gojek has support from the Indonesian government in 2019 such as Indonesian government provide digital infrastructure for conducting high speed internet and construct the palapa ring fiber or optic network over 7 island. Gojek as pioneer of startup company in Indonesia get beneficial from the government support. More over Tokopedia has collab with Indonesia ministry of trade by digitalize the SME in 10 market in Indonesia. This policy hope that it will accelerate Indonesia's advanced and inclusive economic growth. Less unicorn startup company accept the support from the government mean that the policy need to be developed to increase the establish of startup company in Indonesia

All of the startup company have funding from venture capital bukalapak first funding from Batavia incubator in 2012, Traveloka alsi accept first funding in 2012 from east venture capital, Gojek accept funding from Sequila Capital Indoa in 2015, jnt from boyu capital and OVO from Tokyo century. It is show that every startup company accept funding from several stage.

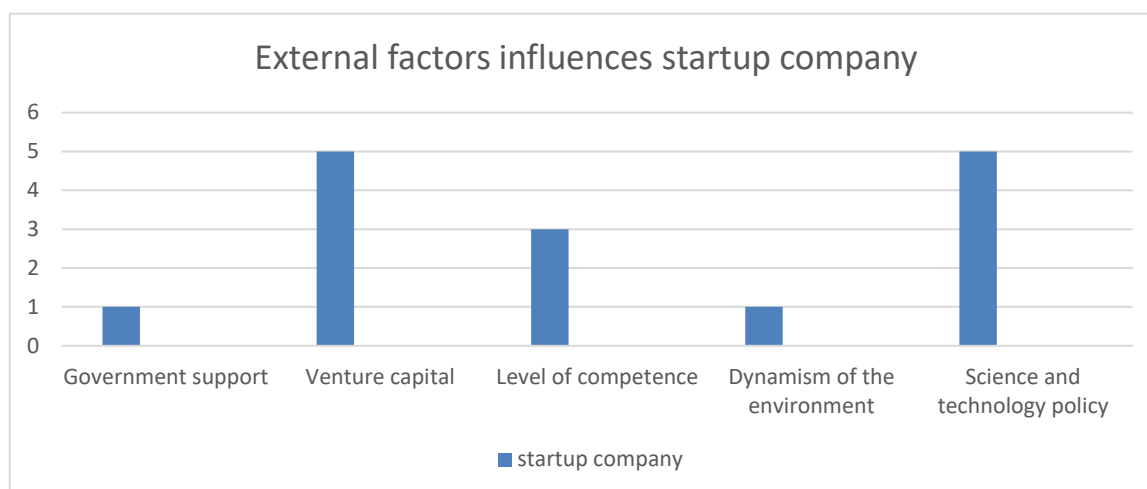
Level of competence have by J&T, GOTO and OVO. J&T have compete with JNE, Tiki and PT Pos Indonesia. Even though J&T express is the newest established in package delivery, with the innovation they have, they become the leading company in package delivery. GOTO is merger of two startup company GOJEK and Tokopedia is become the largest startup in Indonesia at first they have their own rivalry. Gojek rivalry with grab and maxim. Tokopedia rivalry with shoppe, OVO have the same core business with GoPay the product made by GOTO a s a leader of digital payment business. There are more famous startup company on this industry such as DANA, Link Aja but they not classify as unicorn startup company yet. J&T Express is transportation , Traveloka is transportation and Bukalapak in market place industry

According to dynamism of competence, only Bukalapak who have rapid changes occurring in the company's external environment. From the history bukalapak is the first digital market place in Indonesia established in 2010. After the development of Bukalapak there are more digital market place such as Lazada, Zalora, shoppe, etc. due to the high amount of e commerce in Indonesia compare to other industry, create the quick change of external environment of the company in the same business.

From the result all of the startup company accept the science and technology policy. The fledgling enterprise in the advancement of science and technology related to governmental authority. The government authority support the development of science in technology. Even though Indonesia is not the leader of technology but the support from government is needed. As we understand that the startup business have relationship with new technology more quickly than larger company distinguish by Semenova et al (2021).

According PPN/ BAPENAS, Indonesian government support the development of science and technology by creating 8 strategy first, creating the National Science and Technology and Innovation System, along with an Innovation Fund initiative. Second, Building institutional capacity and developing human resources in science and technology. Third, Technology development based on regional and cultural potential. Fourth, Social-humanities research is developed to support innovation and productivity in society. Fifth, Foreign direct investment (FDI) and global value chain (GVC) are optimized as a means of technology transfer. Sixth, institutionalization of the Triple Helix is achieved. Seventh, Research and development (R&D) supporting infrastructure with strategic value is developed. Eight, An environment that is favorable for the growth of technopreneurs and startups is created. All of the strategy is implemented in 2018, there fore all of the startup company accept the effect of the policy made by the Indonesian government.

Graph 1. External Factors Influences Startup Company



The graph below show that the startup company have key success in external factors for 5 startup company that have reach decacorn rank with high valuation in Indonesia. It can be imply that the government support need to be developed for the startup ecosystem and dynamism of the environment. Moreover for venture capital funding and science and technology policy made by the government have accept by all of the success startup company. Level of competence only 75% startup company distinguish the competition between company in the same industry.

CONCLUSION

Research about startup company need to be developed because it have different characteristic with the conventional company and have fast development. This research try to investigate external factors that influences success startup company.

We use unicorn who have value more than \$200 million as a n object of this research. We argue that this type of company is suitable as a demonstrator of a success startup company. From the 5 unicorn startup company in Indonesia its show that every startup company have funding from venture capital. All of the startup company accept funding from the venture capital the result is in line with previous study by Bocken 2015 classify as venture capital as external investor. Venture capital is provides the fuel for high-potential, and high growth companies. The startup company only provide funding for company who have business concept that will change the way people live or work. That is way less startup company will become success.

Science, technology policy by the Indonesia government also have been accepted by the success startup company in Indonesia. Only several startup company have level of competence which is need to be developed so that the company have eagerness to compete in the same industry and more varies startup company in the same industry. This beneficial not only by the startup company to increase the competitiveness but also give a choice for costumer in select the product.

However for the government support and dynamism of the environment is the lowest result from our research. Indonesian Government support have been constituted by making several strategy such as incubator for the new startup and workshop for the founder also innovation competition. The dynamism of external factors in startup company by augmented employee, income, etc.

The effective ecosystem need to be built the competition of the startup company is important so that the innovation product is evolve so that the level of competence increased

Only 2% of startup company is success probably because the lack of this two factors. Level of competence have by several startup company.

Further research need to distinguish external factor and other factor that effect the the success of startup company. Combination of quantitative and qualitative research might provide better understanding of success factor for startup. Besides, the amount of startup company as object study might increase to get better conclusion

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