

# Determining Factors for Startup Success in Indonesia: Perspective of Young Entrepreneurs

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## ABSTRACT

Indonesia's entrepreneurial ecosystem is expanding rapidly, driven by young entrepreneurs. However, the factors influencing the success of these startups remain underexplored, and many startups struggle with growth and sustainability. This study aims to identify the key determinants of startup success from the perspective of young entrepreneurs in Indonesia. A mixed-methods approach was used, combining quantitative surveys with startup founders and qualitative interviews for deeper insights. Quantitative data was analyzed using SmartPLS, while thematic analysis was applied to the qualitative data. The findings reveal four critical factors contributing to startup success: market adaptability, financial management, mentorship, and innovation. Market adaptability highlights a startup's ability to adjust to changing market demands, while financial management emphasizes proper budgeting and resource allocation. Mentorship plays a crucial role in providing guidance and industry knowledge, and innovation helps startups differentiate themselves and stay competitive. These results provide valuable insights for entrepreneurs, investors, and policymakers, highlighting the importance of these factors for the sustainability and growth of startups in Indonesia. By addressing these key determinants, a supportive ecosystem can be created, fostering future entrepreneurial success in the country. This research contributes to the understanding of Indonesia's startup landscape and offers practical recommendations for enhancing the success rate of young entrepreneurial ventures.

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## 1. INTRODUCTION

The startup ecosystem in Indonesia has experienced rapid growth in recent years, fueled by the rise of young entrepreneurs who are keen on driving innovation and economic progress [1]. These startups significantly contribute to the nation's economic development, with many of them exploring new business models, technologies, and creative solutions to address market needs [2]. As Indonesia continues to embrace digital transformation and the rise of a more entrepreneurial culture, Young entrepreneurs lead this movement, creating jobs and introducing innovations that push the boundaries of traditional business practices [3] [4].

However, despite this promising growth, many startups in Indonesia face significant challenges during their early stages [5]. High competition, limited access to funding, and difficulties in scaling operations often lead to a high failure rate among startups [6]. These obstacles are particularly pronounced for young entrepreneurs who may lack the experience or resources to overcome these early hurdles. As a result, un-

derstanding the factors that contribute to the success of these ventures is crucial for both entrepreneurs and policymakers who aim to foster a thriving startup ecosystem [7].

Although there is a growing body of research on entrepreneurship in Indonesia, limited studies specifically address the success factors from the perspective of young entrepreneurs. Most existing research tends to focus on general entrepreneurial challenges or broader economic trends, leaving a gap in understanding the unique factors that drive the success of youth-driven startups [8]. This study seeks to fill that gap by exploring the specific determinants of startup success as perceived by young entrepreneurs in Indonesia.

The primary objective of this research is to identify and analyze the factors that influence the success of startups in Indonesia, with a particular focus on the experiences of young entrepreneurs [9]. By shedding light on these critical success factors, this study aims to offer practical insights that can help aspiring entrepreneurs navigate the challenges of launching and growing a startup in a competitive market. What sets this study apart is its focus on youth-driven entrepreneurship [10]. While many studies look at general startup success, this research highlights the unique experiences and perspectives of young entrepreneurs [11]. By focusing on this demographic, the study provides a fresh perspective on how young innovators are contributing to the entrepreneurial landscape in Indonesia and the specific challenges and opportunities they face [12].

## 2. LITERATURE REVIEW

### 2.1. Entrepreneurship in Indonesia

Entrepreneurial development in Indonesia has gained significant momentum in recent years, largely driven by the increasing integration of technology and the rise of digital startups [13]. The government has actively promoted entrepreneurship as a means to bolster economic growth, particularly through initiatives that encourage innovation and digital transformation. Young entrepreneurs, in particular, have been at the forefront of this movement, playing a crucial role in shaping the entrepreneurial ecosystem in Indonesia [14]. Several studies highlight the growing importance of startups in driving job creation, fostering innovation, and contributing to the national economy. However, research also points to a gap in understanding how these young entrepreneurs achieve success, with many ventures facing early-stage failures despite the supportive environment.

### 2.2. Factors of Startup Success

The success of startups depends on a variety of factors, as evidenced by existing literature [15]. Several key determinants have been identified as critical to the growth and sustainability of new ventures. These factors include:

- **Innovation:** Startups that successfully innovate are more likely to gain a competitive edge in their respective industries. Innovation allows businesses to create unique value propositions that set them apart from competitors. Research has consistently shown that startups with a strong focus on innovation tend to experience higher growth rates and sustainability.
- **Leadership:** Effective leadership is another key factor contributing to startup success. Entrepreneurs who exhibit strong leadership skills are better equipped to guide their businesses through challenges and make strategic decisions [16]. Studies emphasize that leadership not only influences the internal culture of the startup but also impacts its ability to attract investment and talent [17].
- **Funding:** Access to adequate funding is essential for the survival and growth of startups [18]. Many startups fail due to insufficient capital, which limits their ability to scale, invest in new technologies, or even sustain daily operations. Research suggests that securing funding early on and maintaining strong financial management are critical to long-term success [19].
- **Market Adaptability:** Startups that can quickly adapt to changing market conditions tend to be more successful [20]. This ability to pivot, respond to customer feedback, and stay ahead of market trends is often highlighted as a key success factor. Market adaptability allows startups to remain competitive and resilient, particularly in volatile economic environments.

2.3. Challenges for Young Entrepreneurs

While young entrepreneurs in Indonesia bring fresh ideas and energy to the startup ecosystem, they also face unique challenges that can hinder their success [21]. These challenges have been well-documented in various studies, focusing on the barriers that young entrepreneurs often encounter:

- **Access to Funding:** Young entrepreneurs, especially those with limited experience, often struggle to secure the necessary funding to start or scale their businesses [22]. Investors may be hesitant to provide capital to less experienced founders, leading to a funding gap that can delay or derail startup progress.
- **Lack of Experience:** Many young entrepreneurs lack the business acumen and experience needed to navigate complex markets. Without prior exposure to the entrepreneurial landscape, these individuals may encounter difficulties in strategic planning, financial management, and leadership [23].
- **Market Entry Barriers:** Entering competitive markets can be challenging for young entrepreneurs. In many cases, established companies dominate key sectors, leaving little room for newcomers. Additionally, young entrepreneurs may struggle with limited networks, making it difficult to establish business connections or partnerships that could help them overcome market entry barriers.

Research consistently points to these challenges as significant hurdles that young entrepreneurs must overcome to achieve success [24]. However, with the right support, such as mentorship programs, financial assistance, and training, these challenges can be mitigated, allowing young entrepreneurs to thrive in Indonesia’s dynamic startup ecosystem.

3. METHOD

3.1. Research Design

This study employs a mixed-method approach, combining both quantitative and qualitative research methods to gain a comprehensive understanding of the factors influencing startup success from the perspective of young entrepreneurs in Indonesia [25]. The quantitative component consists of a structured survey designed to gather measurable data on the key success factors identified in the literature review, while the qualitative component involves semi-structured interviews aimed at capturing in-depth insights from a smaller subset of respondents. This dual approach ensures that the research captures both the broad trends and individual experiences, providing a well-rounded analysis of the research question.

3.2. Sample Selection

The target population for this study is young entrepreneurs in Indonesia, defined as individuals between the ages of 18 and 35 who have founded or co-founded startups [1]. A purposive sampling technique was used to select participants who met these criteria. For the quantitative survey, a total of 150 respondents were selected to ensure a diverse representation of various industries and regions across Indonesia [26]. In addition, 10 young entrepreneurs were selected for in-depth interviews to provide a more nuanced understanding of the success factors and challenges they encounter in their entrepreneurial journeys.

Table 1. Sample Selection and Data Collection Methods

Category	Description	Sample Size
Target Population	Young Entrepreneurs in Indonesia (Aged 18-35)	-
Sampling Method	Purposive Sampling	-
Quantitative Survey	Online survey distributed via email and social media	150 respondents
Qualitative Interviews	Semi-structured interviews conducted via video calls	10 respondents
Survey Tool	Structured survey using Likert scale (1–5)	-
Interview Duration	30 to 45 minutes per participant	-
Quantitative Analysis	SmartPLS (Structural Equation Modeling)	-
Qualitative Analysis	Thematic Analysis	-

### 3.3. Data Collection

Data collection for the study was conducted in two distinct phases: quantitative and qualitative. During the quantitative phase, an online survey was distributed to a diverse group of 150 young entrepreneurs, carefully selected from various regions and industries across Indonesia. The survey aimed to capture a broad range of demographic and business-related data, providing insights into their experiences, challenges, and perspectives as young business leaders in the Indonesian entrepreneurial ecosystem. The participants represented a cross-section of industries, including technology, retail, agriculture, and manufacturing, ensuring that the results reflected the diversity of the entrepreneurial landscape in Indonesia [27].

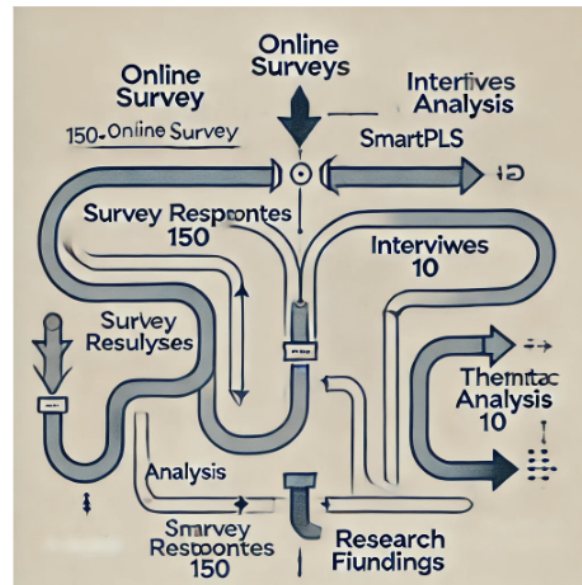


Figure 1. The detailed process of data collection

The survey contained questions based on a Likert scale (1–5), assessing factors such as market adaptability, financial management, innovation, and mentorship. In the qualitative phase, semi-structured interviews were conducted with 10 selected participants. These interviews were held via video calls, lasting 30 to 45 minutes. The interview questions focused on the participants' personal experiences, the challenges they faced, and the strategies they used to overcome these challenges in their entrepreneurial journey [28].

### 3.4. Data Analysis

For quantitative analysis, SmartPLS was used to perform structural equation modeling (SEM). This allowed for the exploration of relationships between variables, such as market adaptability, financial management, and innovation [29]. The SEM approach helps in understanding the direct and indirect effects of these factors on startup success. For the qualitative data, thematic analysis was employed to identify recurring themes and patterns from the interview transcripts [30]. Thematic analysis involves coding the data to reveal underlying themes related to the success and challenges faced by young entrepreneurs in Indonesia. This qualitative insight was then cross-referenced with the quantitative findings to provide a more nuanced understanding of the results.

## 4. RESULT AND DISCUSSION

### 4.1. Quantitative Findings

The quantitative analysis, conducted using SmartPLS (Structural Equation Modeling via Partial Least Squares), provided valuable statistical insights into the critical factors that contribute to the success of startups among young entrepreneurs in Indonesia. SmartPLS was chosen for its ability to handle complex models and smaller sample sizes, making it ideal for this study, which involved a range of entrepreneurial variables. The analysis revealed key relationships between the predictors—market adaptability, mentorship, and innovation—and their respective impacts on startup performance and long-term sustainability.

Table 2. Path Coefficients of Key Success Factors

Factor	Path Coefficient	T-Value	P-Value
Market Adaptability	0.41	6.25	0.001
Mentorship	0.35	5.72	0.001
Innovation	0.30	4.89	0.001
Financial Management	0.21	3.45	0.01

Table 2 highlights the path coefficients of the key factors, indicating the strength of their impact on startup success. The t-values and p-values show that all the factors are statistically significant.

4.2. Qualitative Insights

The qualitative interviews with young entrepreneurs revealed three key themes that encapsulate critical factors influencing their success. These themes provide deeper insights into the strategies that enabled them to navigate challenges and thrive in the dynamic entrepreneurial landscape.

- **Market Responsiveness:** Many entrepreneurs discussed the need to continuously listen to customers and respond to feedback. This responsiveness was particularly crucial in fast-moving industries like technology and e-commerce.
- **Mentorship as a Key Support:** Interviewees consistently emphasized how mentors provided strategic guidance, especially in the startup’s early stages. Mentorship was seen as a vital resource in learning how to overcome challenges.
- **Culture of Innovation:** Entrepreneurs highlighted the importance of fostering a culture of innovation within the startup. Creating an environment where team members are encouraged to experiment and take risks helped differentiate their businesses from competitors.

4.3. Key Success Factors

The findings from both the quantitative and qualitative analyses indicate that the most critical factors for startup success in Indonesia are market adaptability, mentorship, and innovation. Startups that are able to adapt to market changes, leverage mentorship, and maintain a focus on innovation are more likely to achieve sustained success.

- **Market Adaptability:** The ability to quickly adjust strategies in response to changing market conditions emerged as the most significant predictor of success. This is particularly important in Indonesia, where economic and market conditions can be unpredictable.
- **Mentorship:** Mentors play an essential role by offering practical advice and helping entrepreneurs navigate complex decisions. This supports previous research emphasizing the importance of mentorship in entrepreneurial success.
- **Innovation:** Innovation is crucial in differentiating startups from established competitors. Entrepreneurs who embrace a culture of innovation within their teams are better positioned to introduce novel solutions to market challenges.

4.4. Comparison with Previous Studies

The findings are consistent with existing literature on startup success. Previous studies have also emphasized the importance of adaptability, mentorship, and innovation in driving entrepreneurial success. However, this study’s focus on young entrepreneurs in Indonesia highlights the unique challenges of emerging markets, where market adaptability plays an even more critical role due to rapidly shifting conditions.

- **Market Responsiveness:** While market adaptability is important in many regions, its heightened importance in Indonesia reflects the fast-paced and dynamic nature of developing markets, aligning with studies that examine entrepreneurship in emerging economies.

#### 4.5. Implications for Practice

The findings provide valuable insights for young entrepreneurs, investors, and policymakers

- **For Entrepreneurs:** It is essential to cultivate the ability to adapt quickly to market changes, whether through customer feedback or new technological trends. Entrepreneurs should also seek mentors early in their journey to gain strategic guidance and insight.
- **For Investors:** Investors should prioritize startups that demonstrate both innovation and market adaptability. These traits are indicative of a higher potential for long-term growth.
- **For Policymakers:** Policies aimed at improving access to mentorship and promoting innovation will support the growth of successful startups. Providing financial resources and fostering an environment that encourages market adaptability will further strengthen Indonesia's startup ecosystem.

### 5. CONCLUSION

This research demonstrates that integrating e-commerce is a powerful strategy for enhancing business sustainability in the digital era. By examining multiple companies across various industries, the study reveals significant benefits such as increased operational efficiency, market expansion, and product and service innovation driven by data analytics. These advantages are critical for maintaining competitiveness and achieving long-term success. However, the research also highlights considerable challenges, including the need for substantial technological investments, robust data security measures, and overcoming internal resistance to organizational change. Addressing these challenges requires a comprehensive approach that includes continuous employee training and development, strategic technology implementation, and effective cybersecurity practices. Ultimately, the successful integration of e-commerce not only improves business operations and market reach but also supports sustainable growth by reducing environmental impact and enhancing business resilience. These findings provide valuable insights for companies seeking to leverage e-commerce as a cornerstone of their sustainability strategy in the rapidly evolving digital landscape.

### 6. DECLARATIONS

#### 6.1. Author Contributions

Conceptualization:LB; Methodology:OS; Software: LB; Validation: OS and LB; Formal Analysis: OS and LB; Investigation: LB; Resources: OS; Data Curation: OS; Writing Original Draft Preparation: OS and LB; Writing Review and Editing: LB and OS; Visualization: LB; All authors, LB, and OS, have read and agreed to the published version of the manuscript.

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#### 6.3. Declaration of Conflicting Interest

The authors declare that they have no conflicts of interest, known competing financial interests, or personal relationships that could have influenced the work reported in this paper.

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