

## Analysis of Development Stages and Digital Start-Up Success Factors

Ratri Isharyadi<sup>1</sup>, Riska Novia Sari<sup>2</sup>, Purwantoro<sup>3</sup>

<sup>1,2,3</sup>Universitas Pasir Pengaraian

[arya\\_math@ymail.com](mailto:arya_math@ymail.com), [riskanoviasari@gmail.com](mailto:riskanoviasari@gmail.com), [Purwan78@gmail.com](mailto:Purwan78@gmail.com)

### Abstract

*The development of start-ups in Indonesia is very fast. Every year new startup appear with a pretty fantastic number. This year, Indonesia occupies the fifth position in the country with the highest number of start-ups. Along with the many new start-ups that appear, there are also many start-ups that fail in the middle of the road. This failure can be caused by many factors. This study aims to examine the stages of development and key factors for the success of digital start-ups. This type of research is descriptive qualitative research. The research sample consists of 15 CEOs or founders of digital start-up registered on the <https://1000start-updigital.id/> website with a random method. The results of the analysis show that the start-up development stage consists of 7 stages including: ideation, making a business plan, building a team, making MVP, testing MVP to validate solution ideas, refinement, launching. Furthermore, to overcome start-up failures, there are key success factors including teamwork, capital, role models, and innovation. The findings in this study indicate that the team is the main factor for the success of a start-up.*

### Keywords

development stages; success factors; digital start-ups



## I. Introduction

According to Forbes, start-ups are companies that work to solve problems where the solution is unclear and success is not guaranteed. Meanwhile, another definition by Moroni, et al states that start-ups are companies built on extreme uncertainty, have innovations whose core is to create products and services to revolutionize the market.(Aminova & Marchi, 2021). In Indonesia itself, start-ups are developing quite well, based on data from the Financial Services Authority (OJK), the number of [start-up](#) or start-up companies in Indonesia in 2021 as many as 2,319. Of these, there are eight unicorn companies and one decacorn(Between, 2021). This is also supported by data from start-up rankings, where Indonesia is ranked 5th with the most start-ups behind the United States with 72,026 start-ups, India with 13,611 start-ups, the UK with 6,342 start-ups, and Canada with 3,408. start-up. Meanwhile, Indonesia is recorded to have 2,375 start-ups(*Start-Up Ranking*, 2022).

Of the number of start-ups, of course, not all of them can run well, and even fail. Based on a business article by Patel (2015) states that 9 out of 10 start-ups fail. Meanwhile, according to research by Shikar Ghosh, the failure rate of digital start-ups reaches 95%.(Hardiansyah & Tricahyono, 2019). Many factors led to the failure, including: poor management, lack of funds, lack of market demand, lack of experience, strong competition, and many more.(Aminova & Marchi, 2021). In addition, data from Techn Asia Edu in 2020(Indarto & Yekti, 2021)mentioned that the failure of start-ups with the largest percentage, namely 42% was caused by products that were not needed by the market, lack of funds, bad teams, not competitive, price competition, bad

products, bad marketing, ignoring consumers, not focusing, disharmony between team with investors, lack of enthusiasm and others.

The Indonesian government has actually taken good steps in supporting the improvement and development of start-ups. One of the activities carried out is the national 1000 start-up movement which is under the ministry of communication and informatics. This movement is in accordance with Blank's opinion, namely that successful start-ups do not come from successful predecessors but can be learned and can be taught (Jaya et al., 2017). Another step taken in increasing start-ups in Indonesia is through activities in universities through the implementation of independent learning activities for independent campuses. One form of learning activities carried out is entrepreneurial activities.

In developing a start-up there are several stages carried out by the founder of a start-up. According to Asghari & Gedeon (Horne et al., 2016) The start-up development stages include:

1. *Pre-seed*

The stage before the seeds appear in this case digital business ideas or creativity, the earliest process when before becoming an entrepreneur, prospective entrepreneurs are still in the stage of trying various things related to digital business and are still looking for information from various sources about business completeness.

2. *Seed*

The seed stage is when entrepreneurs start by developing their ideas and creativity related to their knowledge and ability to try start-up businesses. At this stage, business people still tend to doubt their ideas, because they think their ideas will be accepted or rejected by the market, decision making at this stage is very important.

3. *Start-up*

This stage begins with the formation and implementation, because the products and services from the ideas that emerged in the previous stage will be realized directly through online media to consumers.

4. *Expansion/Exit*

The last stage is expansion or it can be said that the products and services offered are already known to new consumers and have not yet reached the stage of evaluation or comments from consumers.

Hardiyanto (2018) mentions the practical steps of developing digital start-ups, namely

1. *Business idea*

To be able to ensure a business can run, make a profit, and last a long time, it is very important to create a business profile. This can be started by developing a business model canvas

2. *Organization (team)*

Business is teamwork. So it is very necessary to understand an ideal start-up team structure.

3. *Capital search strategy*

One of the characteristics that distinguishes a digital start-up business from an ordinary business is its ability to attract investors for business sustainability.

4. *Marketing strategy*

Start-up founders must understand marketing strategies, let alone practical strategies in an all-digital era, this is very important for building start-ups.

5. *Business sustainability*

Is the last point that must be done by start-ups. Being able to maintain the business model and execution is a major challenge for today's start-up founders.

## II. Research Method

The type of research used is descriptive qualitative research. Sujarweni (Anderson Irawan et al., 2018) states that qualitative research is able to produce in-depth descriptions of speech, writing, and observable behavior of a particular individual, group, community, and organization in a certain context which is studied from a complete, comprehensive, and holistic perspective. Next Moleong (Akhmad, 2015) argues that in the descriptive method the researcher analyzes the data collected in the form of words, pictures and not numbers. The data comes from interviews, photos, field notes, videos, photos, personal documents, notes or memos and other documents.

The sample in this study is the founder, owner, or CEO of a digital start-up registered on the website <https://1000start-updigital.id/>. The sample selection method used is purposive sampling. The number of samples in this study consisted of 15 respondents with the following details:

**Table 1.** Research Respondents

| <b>Respondent Name</b> | <b>Start-up name</b>             | <b>Position</b>           |
|------------------------|----------------------------------|---------------------------|
| Aan                    | Digitalhelp.id                   | Founder                   |
| Alvira Mohamad         | Bizlook                          | Lead Engineer             |
| Fasly                  | cage.in                          | Owner                     |
| Sudaryono, S. Kom      | interior.id                      | Owner                     |
| Syamsu Rizal           | Work Education                   | CMO                       |
| Nurianto               | Azizten                          | President<br>Commissioner |
| Mochammad Ihza RK      | Wisepedia                        | Founder and CEO           |
| Romai                  | Kiosk.id                         | Owner                     |
| Muhammad Adnan RI      | D'Creative Indonesia             | CEO                       |
| Sitti Rahma            | AR Course                        | CEO                       |
| Ade Maira              | handyman                         | Owner                     |
| Baiyun                 | Decorative Scope                 | CEO                       |
| Victor Decha Z.        | ANTRASH Indonesia                | CEO                       |
| Hariato                | D'Creative Indonesia<br>Business | Owner                     |
| Muhammad Satrio BP     | Hubnusantara                     | CEO                       |

Data collection technique is by distributing online questionnaires using google form to respondents. The questionnaire contains questions related to the stages of start-up development that have been carried out and the start-up success factors.

Furthermore, the data analysis in this study includes three components, namely:

a. Data reduction

At this stage, the selection process, focusing, simplification and abstraction of the available data is carried out. Data that is not important is discarded or ignored.

b. Data Serving

Data presentation is a description of detailed conditions to tell and answer research problems.

c. Verification/Withdrawal of Conclusions

The data that has been reduced and presented is then drawn conclusions. The conclusion was initially still unclear and still temporary, then increased to a steady conclusion stage because it had gone through the data analysis process.

### III. Results and Discussion

Based on the survey results obtained some primary information from start-ups including the start-up sector, year of establishment and number of personnel. The following table 2 describes the start-up sector.

**Table 2.** Start-up Sectors

| No     | Sector                                    | Amount | Percentage |
|--------|---|--------|------------|
| 1      | <i>E-Commerce</i>                         | 9      | 60%        |
| 2      | Education                                 | 3      | 20%        |
| 3      | MSME Development                          | 1      | 6.7%       |
| 4      | Environmental Service                     | 1      | 6.7%       |
| 5      | Boat Building Consultant<br>& Boat Rental | 1      | 6.6%       |
| Amount |   | 15     | 100%       |

The most start-up sector is the e-commerce sector. E-commerce is defined as the process of buying and selling products, services and information that is carried out electronically by utilizing a computer network, one of the networks used is the internet.(Irmawati, 2011). Internet users in Indonesia are increasing every year. Indonesia is ranked 6th in the world as internet users whose growth is relatively fast. APJII survey (Association of Indonesian Internet Service Providers) shows that 60% of the total internet users are on the island of Java. This is the target market for e-commerce start-ups. With the increasing number of internet users, it encourages the emergence of new businesses, especially in the digital field(Prastya Nugraha & Wahyuhastuti, 2017). This is in line with the opinion of Giaglis(Misnawati & Yusriadi, 2018)which states that the accelerated growth of ICT can increase trends that change traditional business models or encourage the establishment of new businesses (start-ups) that tend to utilize digital technology. Furthermore, apart from the sector, information on the year of establishment of the start-up was also obtained, which is illustrated in the following table.

**Table 3.** Year of Start-up

| No     | Since       | Amount | Percentage |
|--------|-------------|--------|------------|
| 1      | 2010 - 2015 | 2      | 13.3%      |
| 2      | 2016 - 2020 | 8      | 53.3%      |
| 3      | 2021-2025   | 5      | 33.4%      |
| Amount |             | 15     | 100%       |

In addition to the sector and year of establishment, information on personnel involved in the development of digital start-ups was also obtained. In general, start-up personnel are still less than 10 people. The details can be seen in the following table.

**Table 4.** Number of Start-up Personnel

| No     | Number of Personnel | Amount | Percentage |
|--------|---------------------|--------|------------|
| 1      | 1 - 5               | 8      | 53.3%      |
| 2      | 6 - 10              | 6      | 40%        |
| 3      | 11 - 15             | 1      | 6.7%       |
| Amount |                     | 15     | 100%       |

The development of digital start-ups is carried out through several stages. Based on the survey results, the following is a summary of the stages of development carried out by start-up founders:

a. *Ideation*

The first step is ideation. Ideation is a stage that focuses on finding business ideas that have the potential to grow (Goldenia et al., 2021). The idea must address a problem, and it is usually a problem faced by start-up founders or a problem with society in general. There are several questions that must be answered:

What problem do you want to solve?

Why did the problem arise?

Is that your problem?

What have others done about the problem?

Are you competent to answer these questions?

A start-up business starts with a problem that needs a solution (Rahardjo, 2020).

b. *Business Plan Creation*

After getting a business idea, the next step is to make a business plan or business plan. A business plan is a written plan for a business that contains goals and how to implement them to achieve those goals (April, 2021). The start-up business plan contains: 1) Summary of the business plan; 2) Company description; 3) The services or products offered; 4) Marketing strategy plan; 5) Market analysis; 6) Initial cost of the project; and 7) Financial administration.

Without making a business plan, the start-up that is developed is not directed and does not have clarity in the future. With a business plan, it will make it easier to carry out daily activities and start-up long-term planning. Rapid changes occur in the digital industry, so a business plan must be able to anticipate various threats and technological changes in the future (Prastya Nugraha & Wahyuhastuti, 2017).

c. *Team Building*

After looking for ideas and making a business plan, the next stage in the development of a start-up is to form a team in charge of realizing the business plan that has been made. Team members have an important role as the initial mover of an idea. Team members are not only great in their skills and experience, but also must excel at working together for team success to be achieved. Many start-ups cannot survive or fail because the team is not solid. Bill Gross conducted research by conducting an analysis of 200 successful and failed start-ups from start-ups that were inside and outside the idealab. (Jaya et al., 2017).

d. *Creating a Minimum Viable Product (MVP)*

To test whether the ideas that have been compiled in the beginning really solve existing problems and can be accepted by potential customers, digital start-ups must create real products or also called MVPs. The MVP method was created by Eric Ries, a start-up consulting firm who wanted to minimize product development by maximizing input or validated learning from examples. MVP is a product with a set of features that meet the basic needs of users (Kurniawan & Suranto, 2021).

e. *MVP Testing for Solution Idea Validation*

The MVP that has been created is then offered to the customer to find out the response from the customer whether they accept the idea embodied in the MVP. In

addition to being offered to customers, MPV must also be piloted within the start-up itself to gain in-depth knowledge of the intended target market.(Saputra, 2015). The test results produce sufficient feedback or input for product development in the future.

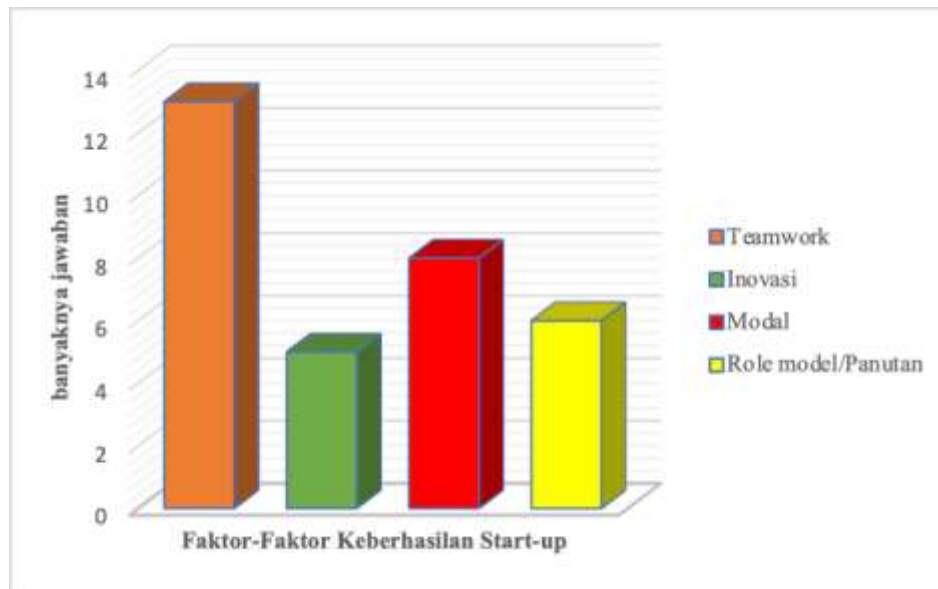
f. **Improvement**

From the results of field trials on customers, start-ups get knowledge and feedback from customers about the advantages and disadvantages of the current MPV. This feedback can be used as an ingredient in the improvement of the developed product.

g. **Launch**

After making product improvements, the last stage is the launch of a digital start-up business.

In addition to the development stage, this study also obtained information from respondents about the key factors for the success of digital start-ups that they have run, as for the answers as follows.



**Figure 1.** Start-up Success Factors According to Respondents

Based on Figure 1 above, it can be seen that teamwork is the most important answer given by the CEO or Founder of a Start-up as a key factor in the success of a start-up. This is in line with the research results(Jaya et al., 2017)and Serarols(Horne et al., 2016)Start-ups that have good Human Resources (HR)/Teams will succeed and be more successful. The team is a valuable asset in a start-up. Even the team becomes a very important element when investors will invest or not. In a start-up there must be an appropriate division of tasks based on the expertise of each team.

The second largest percentage is the capital factor. Start-ups will be able to operate well if they are supported by stable finances. This is in line with the research resultsAnderson Irawan et al. (2018)andJaya et al. (2017)that financial support, one of which is capital support from the closest people such as family, friends, and business partners can have a big impact on the success of business start-ups. In addition to capital,



start-up finances must also be managed properly. This is intended so that start-ups can develop well in the future.

Furthermore, as many as 6 CEOs answered the role model or business role model as a key factor in the success of start-ups. Correspondingly, Serarols (Horne, 2016); Ryan & Kodrat (2018) mentions one of the key factors for the success of a start-up, namely having a role model or business mentor. The existence of a role model can give individuals an example, role model, and encouragement in carrying out and can overcome problems that exist in business start-ups. (Anderson Irawan et al., 2018).

The last factor is innovation. Innovation can be defined as the process of creating or creating new ways of doing things. In the field of start-ups, innovation is concerned with modifying the business model and adapting to change to create a better product or service. The purpose of innovation is to adapt to changing times, especially in the midst of the rapid development of technology as it is today. Innovation in start-ups is a must. This is in line with the research results (Hardiansyah & Tricahyono, 2019) and Serarols (Horne et al., 2016).

#### IV. Conclusion

Based on this research, the stages of start-up development are (a) ideation; (b) making a business plan; (c) team building; (d) create MVP; (e) MVP testing to validate solution ideas; (f) Improvements; (g) launching. Furthermore, to be able to achieve start-up success, there are key factors including (a) teamwork; (b) capital; (c) role models/role models; (d) innovation. The findings in this study indicate that the team is a key factor in the success of a start-up.

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