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Leadership Role In Startup Success

Viyen Mawar Sandagang
Universitas Muhammadiyah Luwuk
E-mail : mawarviyen09@gmail.com

Wirna Buana Aras Abadi
Universitas Muhammadiyah Luwuk
E-mail : araswirna@gmail.com

Prayoga Kupande
Universitas Muhammadiyah Luwuk
E-mail : kopandeyoga@gmail.com

Corresponding author : mawarviyen09@gmail.com

Abstract: A prospective and potentially profitable firm is a start-up that can expand. This study seeks to investigate the elements that impact the success of start-up firms by looking into young entrepreneurs who created digital start-ups in Gorontalo. A purposive sample strategy was used to pick eleven startup entrepreneurs from Gorontalo province. The Structural Equation Model—Partial Least Squares (SEM-PLS) was used in conjunction with SPSS and WARP PLS 8.0 to conduct analysis. This study employs human, social, and financial capital as independent factors, with company performance and innovation serving as mediating variables. The study's findings indicate that human and social capital have a substantial impact on corporate performance.

Keywords: Start-Up, Business Success, Human Capital, Social Capital, Financial Capital, Innovation

INTRODUCTION

Rapid technical breakthroughs also help to boost economic activity. Several new enterprises have formed, particularly in the technology industry, and are now frequently characterized as start-ups (Moridu, 2018). Start-up discussions are gaining popular not just throughout the globe, but also in Indonesia (Moridu et al., 2018).

Start-ups must navigate a challenging climate. Start-ups are seen to be a risky business model. A report released on Forbes.com finds that 82% of all start-ups that have been established have failed.

Human capital is a mix of knowledge, skills, creativity, and an individual's capacity to perform their tasks in order to produce value and accomplish objectives. The creation of added value by Human Capital in carrying out its tasks and job will provide long-term profitability for a business (Yusuf, 2020).

According to Moridu (2021), human capital is the lifeblood of intellectual capital, a source of innovation and progress, but it is difficult to quantify. Human Capital indicates the organization's collective capacity to develop the best solutions based on the knowledge of its

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* Viyen Mawar Sandagang, mawarviyen09@gmail.com

workers, which will expand if the company is able to apply that expertise.

According to Polim (2018), social capital is the first and most important capital in the digital economy, generating other capital such as material capital. The digital economy's social capital comprises trust, honesty, and integrity. This is the foundational capital that must increase before any other capital. Someone who is trusted may be given money, company capital, become a partner, agent, supplier, or distributor because they are honest, have high integrity, and can be relied on. This capital refers to the relationships, collaborations, and networks that must be developed. Small and medium-sized industries will benefit significantly from the social capital they absorb. This proposition is fair and consistent with macroeconomic research that suggest that higher levels of social capital lead to improved economic performance (Rahman, 2022).

Access to financial resources is critical for launching and growing a company, particularly a small size one. Working capital refers to a company's short-term assets, such as inventories and short-term loans. Working capital is a resource utilized to execute business operations and minimize rising corporate expenditures; it takes the shape of cash revenue and spending activities (Stephen et al, 2008).

According to Kushendar (2020), one of the most significant attributes of an entrepreneur is the capacity to innovate. Without innovation, a firm will not last long. This is because client demands, desires, and requests fluctuate. Customers will not always use the same product. Customers will hunt for items from other firms that they believe will meet their demands. As a result, ongoing innovation is required if the firm is to grow and stay successful in its business. Innovation refers to commodities, services, or ideas that are seen to be novel by someone. Even though this concept has been around for a long time, it might nevertheless be considered innovative by those who have just recently seen or experienced it.

H1: Human capital has a substantial beneficial impact on the success of startup enterprises.

H2: Social capital has a substantial beneficial impact on the success of startup enterprises.

H3: Financial Capital has a strong favorable impact on the performance of start-up companies.

H4: Human Capital has a substantial beneficial impact on creativity.

METHOD

The research approach for this thesis is quantitative. This research's population consists of start-up entrepreneurs from Gorontalo Province. The population was 35 persons, and the sample utilized in this study was 43 respondents selected using a purposive selection approach, with sample characteristics including young entrepreneurs aged 20 to 55 who had been operating a company for at least one year and were willing to be interviewed. A questionnaire was utilized for both direct and online interviews. To facilitate the analysis, the researcher employed a questionnaire with a 1-4 Likert scale. The research tools were tested for validity and reliability. The data analysis approach used Structural Equation Modeling - Partial Least Squares (SEM-PLS) to evaluate the link between constructs, either directly or via mediation, and was processed using the SPSS 22 and WARP PLS 8.0 software.

RESULTS AND DISCUSSION

The Impact of Social Capital on Business Success.

Social capital indicators are expressed in Building Trust (MK) and Building Trust (MKP). The structural analysis test of Social Capital shows a substantial positive influence on company performance (path coefficient (β): 0.585 p = 0.005), supporting the second hypothesis (H2). Start-up firms place a high value on establishing trust with new clients and maintaining existing customers. Another term for this is customer-oriented. Start-up enterprises must provide a positive image to consumers in order to attract new customers and maintain existing customers, as well as create networks for company growth with diverse investors. Start-up owners have a strong desire to share tips and tactics, make new contacts, and form collaborative business collaborations.

The Impact of Financial Capital on Business Success.

Financial capital indicators include own capital (MS), loan capital (MPL), profit and capital accumulation (TKAM), and financial governance (TKK). During the convergent validity testing phase, the indicators for own capital (MS) and borrowed capital (MPL) were deleted since they did not match standard standards. Financial Capital has a significant negative effect on business success (path coefficient (β): -0.433 p = 0.034), indicating that the third hypothesis (H3) is not supported. This means that the quality of Financial Capital does not directly influence business success. Start-Up.

The Impact of Human Capital on Innovation.

The structural analysis test found that the Human Capital construct had a substantial negative influence on innovation (path coefficient (β): -0.326, p=0.083), indicating that H4 was not supported. Human capital does not correlate positively with company innovation. High human capital does not correlate with a company's innovation. This is because the innovation strategy choice puts a greater focus on company owners to carry out business plans by implementing business innovations that vary from previous ones and have substantial distinctions, whether significant or not, when compared to other firms.

CONCLUSION

This study concluded that Human Capital, Social Capital, and Innovation all play important roles in the success of start-up businesses. Meanwhile, the mediation variable (innovation) generates a partial connection from Social Capital and a complete relationship (full mediation) with Financial Capital. In accordance with the study, researchers provide recommendations to start-up entrepreneurs, particularly those in South Sulawesi, on how to improve the quality of Human Capital, Social Capital, Financial Capital, and Innovation in order to succeed in their enterprises.

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