Original Article

Analysis of Internal Factors for Improving the Performance of Startup Companies in Medan, Indonesia

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Abstract: Everyone can increase their income with various businesses, one of which is by opening a business. Various types of businesses are involved, especially now that the is opening a business by utilizing technology and creativity, now known as a startup. Since 2015, the startup business has been introduced and growing since the pandemic hit the world in 2019. Startup businesses are increasingly mushrooming in Indonesia, supported by the government program "The National 1000 Startup Digital Movement." So, the development of startups in Indonesia by Mr Bonifasius Wahyu currently occupies the fifth position in the world, with the largest number of startups in the world at 2,229 startups in April 2021. In running a startup business, paying attention to external and internal factors is very important. Still, this study analyses internal factors of marketing, finance, human personnel and operational communication. The sample of this study is 75 startup companies using a purposive sampling technique and processed with SPSS by performing multiple regression analysis. The results show that internal factors, namely marketing communications, finance, human resources and operational activities, have a positive and significant impact on startup business performance, with a contribution of 0.871 or 87.1%. The variables that most influence the performance of startup companies are marketing communications, followed by human relationships, financial and operational.

Keywords: marketing communication; human resource; financial; operational; business performance

1. Introduction

Since 2015 the startup business has been introduced and growing since the pandemic hit the world in 2019. Startup businesses are increasingly mushrooming in Indonesia, supported by the government program "The National 1000 Startup Digital Movement". So that the development of startups in Indonesia, according to Mr. Bonifasius Wahyu, currently occupies the fifth position in the world with the largest number of startups in the world 2,229 startups in April 2021, in the Shopee Talk event entitled Muda Mudi Bangsa Bangkit Bangun Bisnis, Friday (21/5/2021) reported by startupranking.com. The first countries with the most startup businesses are America, India, UK, Canada and Indonesia. A startup is an organization designed to find the right business model to generate rapid growth (Hardiansyah &

Tricahyono, 2019). A startup business is a business that is still newly established with the following indicators: (i) the age of the company is under 3 years. (ii) the number of employees is still slightly less than 20 people, (iii) employees are still doing several tasks (multitasking), (iv) high work spirit, (v) generally technology-based, (vi) website or application is the main foundation and (vii) incessantly looking for investors.

The indicator that is of concern is the company's age, which is still new, so it needs guidance by understanding internal and external factors so that the company's business continues to grow (Aras et al., 2021). Because the age of the startup business is very vulnerable, between 1-5 years, it is necessary to pay attention to internal and external factors. Internal factors consist of several competencies, such as technical competence carried out by a business organization related to the business design of the system used. Marketing competence is needed to find a suitable market so that it focuses on customers and maintains the survival of the company. Financial competence is also important because companies need to manage all their finances properly related to purchases, sales, bookkeeping, and financial reports to provide information about the company's condition every month. Human relationship competencies where companies need to develop personal relationships, relate and build a network (Sari & Sitepu, 2016 Munizu, 2010).

Meanwhile, according to Muhammad (2013), internal factors emphasize leadership aspects, namely: leadership in marketing management, leadership in financial management, human and organizational resources, and leadership in operations management. According to Sari & Sitepu (2016) and Muhammad (2013), the difference is in terms of Competence and Leadership, which both focus on marketing, finance, HR and operations (Innovation, Initiator, Low-Cost and differentiation). Meanwhile, Brownson (2020) stated that the internal factors of the business startup are: educational background, occupational experience, family background, desire to work freely and independently, passion, feeling of accomplishment, desire to do something pioneering and innovative.

2. Literature Review

Indonesia has the fifth highest number of startup companies compared to other countries. Of course, from that many companies, there must be some that close or, in other words, lose so they don't continue their business. For this reason, it is necessary to know their success tips to survive for 1-5 years. And it is necessary to know how they have built a business from scratch to survive until now.

2.1. Marketing communication

Marketing communication is how companies try to inform, persuade, and remind consumers directly or indirectly about the products and brands being sold (Amoako et al., 2012; Banerjee, 2009; Keller, 2009; Todorova, 2015). Marketing communications also perform many functions for consumers (Kotler & Armstrong, 2013). Marketing communications can tell consumers how and why the product is used, by what kind of people, and where and when. Marketing communications allow companies to connect their brands with people, places, events, brands, experiences, feelings, and other things (Gobe, 2010; Smilansky, 2017; Todorova, 2015). They can contribute to brand equity by imprinting brands in memory, creating their image, driving sales, and even influencing share value (Kotler & Armstrong, 2013). There are five types of promotions commonly referred to as the promotion mix, namely:
a. Advertising (advertising)
b. Face-to-face selling (personal selling)
c. Sales promotion (sales promotion)
d. Public relations and publicity (publicity and public relations)
e. Direct marketing

2.2. Leadership in Financial Management

Generally, startup entrepreneurs start their businesses with their capital. To increase their business activities, they use more sources of family funds. In managing finances, entrepreneurs borrow some through banks and some through friends, and a good company can separate personal expenses and profit levels.

2.3. Human Relationship

In fostering a business, it is necessary to establish good relations with the company environment related to consumers, competitors, and distributors and internal relations with people within the company. The goals of building interpersonal relationships (Wibowo, 2013) include:
a. Form and maintain meaningful relationships
b. Prevent conflict
c. Increase knowledge
d. Get social support

e. Collaborating
f. Cultivate motivation
g. A place to exchange ideas

2.4. Operational

At this stage, the company chooses a production process strategy by considering quality through innovator, imitator, low-cost, and differentiation. The company's innovator strategy carries out a market strategy by paying attention to quality even though it has high costs compared to competitors by producing using technology and employee skills. Management can provide raw materials, production capacity, available machines/equipment, modern technology and quality control.

2.5. Company Performance

Measurement of a company's performance, according to Rokhayati & Lestari (2016) is to measure Startup performance is an increase in sales, an increase in business capital, an increase in income and operating profit, as well as an increase in the workforce used, and an expansion of the market.

3. Materials and Methods

3.1. Design of the Study

The study uses quantitative methods, taking samples using purposive random sampling of as many as 75 people domiciled in the city of Medan, with startup businesses located on the outskirts of the city of Medan and its surroundings. Tend to take samples for businesses that have been established for 1-5 years. The data obtained first calculated the validation and reliability and analyzed using multiple regression analysis using SPSS 20. The operational variables are as follows:

1. Marketing Communication variable (X_1) measures the accuracy in determining market segmentation and promotional techniques (Advertising, Personal selling, Sales promotion, Publicity and public relations, Direct marketing) appropriate to the output generated by business startups.
2. Financial variable (X_2) measures the finance aspect of the level of financial capability in the business in financing the company's operational activities such as own capital, loan capital, Profit Rate, Separating personal expenses
3. Variable human relationship (X_3) measures the quality of relationships between individuals in the company/business, the company's internal relationships with suppliers, as well as relationships/communications between business startup owners, and relationships with customers/customers who use products produced by startup businesses. Communication can be done using communication tools or direct communication.
4. Operational (X_4) measures the availability of raw materials, production capacity, available machines/equipment, modern technology and quality control.
5. Dependent variable (Y) measures the company's ability to reach the BEP point, startup income, increased production capacity, number of customers and the ability to expand the market.
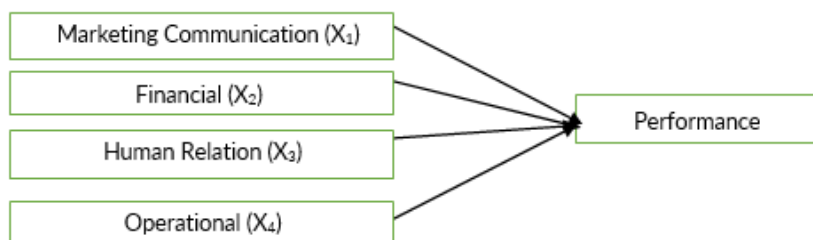
3.2. Research Framework and Hypothesis

Figure 1. Research Framework

Hypothesis
H1: There is a positive relationship between marketing communication and performance
H2: There is a positive relationship between finance and performance
H3: There is a positive relationship between the individual's relationship with performance

H4: There is a positive relationship between operations and performance

H5: There is a positive relationship between marketing communication, finance, individual and operational relationships with performance

4. Results and Discussion
4.1. Validity and Reliability Testing

For the results of the validity test, we can see in Table 1 below where the r count is above 0.30, which indicates that all the independent variables, namely marketing communication, financial, individual relations, and operational, are valid.

Table 1. Validity testing

No.	Variable(s)/ indicator(s)	Total Correlation Product Moment		Conclusion
		Before	After	
1	Marketing communication			
	Market segmentation	0.486	0.557	Valid
	Promotion technique	0.528	0.599	Valid
2	Financial			
	Owner's equity	0.433	0.408	Valid
	Loan capital	0.479	0.456	Valid
	Profit rate	0.453	0.457	Valid
	Separation of personal expenses	0.412	0.433	Valid
3	Individual relations			
	With competitors	0.456	0.521	Valid
	Customer	0.468	0.5	Valid
	Company internal	0.455	0.451	Valid
	Consumer	0.53	0.569	Valid
4	Operational			
	Availability of raw materials	0.689	0.588	Valid
	Production capacity	0.456	0.478	Valid
	Modern technology	0.435	0.421	Valid
	Machine	0.517	0.533	Valid
	Quality control			
5	Performance			
	BEP ability	0.678	0.600	Valid
	Income	0.500	0.490	Valid
	Increased production capacity	0.432	0.424	Valid
	Number of customers	0.411	0.489	Valid
	Expansion	0.412	0.467	Valid

Table 2. Result of Reliability testing

No.	Variable(s)/ Sub. Variable(s)	Cronbach Alpha	Conclusion
1.	Marketing communication	0.896	Reliable
2.	Financial	0.760	Reliable
3	Human relationship	0.800	Reliable
4.	Operational	0.844	Reliable
5.	Performance	0.756	Reliable

Table 2 shows the reliability of the instruments used before and after data collection are valid and reliable. It can be seen from the total correlation value of all indicators (r > 0.30); and Cronbach's alpha for each variable >0.60 the conclusion that the variables are reliable. Then to test the research hypothesis, there are 2 (two) models and data analysis techniques used in this study, namely: (1) descriptive analysis; and (2) Multiple Regression Analysis. In order to avoid human error, the research data processing uses SPSS. Respondents in this study were male, namely 55

people (74.7%) and 20 women (25.3%). Most of the respondents came from areas traditionally seen as having a strong trading culture, namely Chinese, Padang, Javanese. The rest were Batak, consisting of 35 Chinese (46%) and 20 Padang people (27%). The rest come from a mixture of Javanese and Batak ethnic groups. The education level of the respondents is dominant. The high school level is 30 people (40%). The rest were at the Bachelor/S1 level as many as 22 people (29%), D3 as many as 10 people (7.5%) and junior high school 13 people (17%). Then in terms of age, the dominant respondents in this study were in the productive age category, namely 25-35 years, 21 people (28%) and 36-45 years, 30 people (40%). The rest were in the age of 46-55 years.

20 people (26%), and age > 55 years by 4 people (5%). Furthermore, it is also known that generally, respondents have been in business for a long time which they now manage with a range of 5-10 years of business experience as many as 40 people (53%) and 11-20 years 17 people (22%), while the rest are respondents who have been in business in Indonesia. Under 5 years 18 people (5%). Description of Company Characteristics Respondents of this research are generally engaged in culinary services by 27 people (36%) and service businesses by 15 people (20%). While the rest, a small part, is engaged in food, beverages, furniture, convection, and animal husbandry. The number of workers used in the dominant company is 3-5 people, namely 34 people (45%), 6-8 people, and as many as 25 people (30%). The rest are > 10 people, as many as 16 (21%). Then in terms of formal licensing, from 75 business respondents, only 25 respondents (30%) had formal permits, while those who did not have formal permits were quite dominant, namely 50 respondents (75%). The types of permits that a startup business must own, for example, are SIUPP, SITU, and TDP (company registration certificate). Description of the Characteristics of Business Performance Variables Startup business performance variables, according to respondents' perceptions, are in the fairly good, good and very good categories. The indicator with the highest value based on the average (mean) is sales growth, with a value of 4.1. At the same time, the lowest is the profit/profit growth indicator (2.88). Product sales growth is generally relatively good. However, this condition does not directly impact profit growth/business profit. It is because there are still many who pay their debt instalments.

4.2. Descriptive Statistics

Table 3. Descriptive statistics

Variable(s)	Mean	Std. deviation	N
Marketing communication	38.620	3.966	75
Financial	16.850	2.185	75
Human relationship	29.380	3.257	75
Operational	17.540	2.898	75
Performance	15.270	2.346	75

Table 3 shows the result of descriptive statistics. The average marketing communication is 3.96, close to 4, which means that it agrees to implement marketing communications to improve performance. While the financial variable is 2.18, which means that you don't agree but it is greater than two, it means that it has led to the average and human relationship of 3.25 is also close to 4, which means that it tends to be above the average, operational 2.89 is close to the average and performance of 2.34 is also above the average.

4.3. Multiple Regression Analysis

Table 4. The results of multiple regression analysis

	Unstandardized Coefficients		t	Sig	Collinearity Statistics	
	B	Std. Error			Tolerance	VIF
(Constant)	8.148	2.384	3.837	0.000		
Marketing communication	1.283	0.094	11.953	0.024	0.922	1.061
Financial	0.533	0.082	5.283	0.000	0.922	1.061
Human Relationship	1.081	0.094	10.453	0.010	0.922	1.061
Operational	0.608	0.082	6.112	0.000	0.922	1.061

a. Dependent variable: Performance

Table 4 shows the multiple regression analysis result and found that a positive relationship between marketing communication, financial, human relationships and operational performance. If marketing communication, financial, human relationship and operational increases, employee performance will also increase. With a constant value of 8,148.

4.4. Hypothesis Testing

Hypothesis testing is carried out in 2 (two) ways: the F-test and t-tests. F test shows the relationship simultaneously and t-test shows a partial relationship. The following Table 5 shows the F test which indicates the simultaneous relationship. From this F test can be concluded as follows: F_{hit} value is 129.875 with F_{table} value of 2.50 (a=5%), then F_{hit} is greater than F_{table} (149.875>2.63). Thus, Ha is accepted, meaning that Marketing Communication, financial, human relationships and operations have a positive and significant relationship with the performance of a business startup. The significant value is 0.000, which is smaller than the significance level of 0.05 (0.000 <0.05). It can be concluded that marketing communication, financial, human relationship and operations simultaneously positively and significantly influence performance in business Startup.

Table 5. Result of ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	1072.267	4	588.133	129.875	0.000a
Residual	375.643	71	3.924		
Total	1556.91	75			

a. Predictors: (Constant), Com. Mark., Finance, Individu Relation, Operational
b. Dependent Variable: Performance

Table 5 shows the results of the decision that H0 is rejected and H1 is accepted. It can be seen from the calculated F value of 129,875. While, the resulting significance value is 0.000, which is smaller than 0.05. Thus, it can be concluded that the multiple regression model is feasible to use, and the independent variables, which include Marketing communication, Financial, Human Relationship Operational have a simultaneous influence on the dependent variable of employee performance.

Table 6. Result of Hypothesis testing

	Unstandardized coefficients		t	Sig.	Collinearity statistics	
	B	Std. error			Tolerance	VIF
(Constant)	9.149	2.384	3.837	0.000		
Marketing communication	0.883	0.094	8.953	0	0.943	1.061
Finance	0.633	0.082	16.233	0	0.923	1.061
Human Relationship	0.788	0.066	13.222	0	0.934	1.061
Operational	0.572	0.043	9.421	0	0.934	1.061

Table 6 shows that the value of t-stats Com. Marketing is 8,953 with a significance level of 0.000. The value of t-table is 1.666, so t-stats is greater than t-table (8.953 > 1.666). The value is significantly smaller than the degree of confidence (0.000<0.05). Thus, it can be concluded that in the test H0 is rejected and Ha is accepted, meaning Com. Marketing has a positive and significant effect on performance. The t-stats for finance is 16,233 with a significance level of 0.000. The value of t-table is 1.666, so t-stats is greater than t-table (16.233 > 1.666). The value is significantly smaller than the degree of confidence (0.000<0.05). Thus, it can be concluded that in the test H0 is rejected and Ha is accepted, meaning that finance has a positive and significant effect on performance. The t-stats value of Human relationship is 13,222 with a significance level of 0.000. The value of t-table is 1,666, so t-stats is greater than t-table (13,222 > 1,666). The value is significantly smaller than the degree of confidence (0.000<0.05). Thus, it can be concluded that in the test H0 is rejected and Ha is accepted, meaning that Human relationship has a positive and significant effect on performance. Operational t-stats value is 9.421 with a significance level of 0.000. The value of t-table is 1.666, so t-stats is greater than t-table (9.421 > 1.666). The value is significantly smaller than the degree of confidence (0.000<0.05). Thus, it can be concluded that in the test H0 is rejected and Ha is accepted, meaning that operational has a positive and significant effect on performance. On the basis of the results of the analysis of the coefficient of determination between transformational leadership, organizational commitment to employee performance as follows:

Table 7. Result of Coefficient Determination

R	R square	Adjusted R square	Std. Error of the estimate

0.9335[a]	0.871	0.865	1.48095

a. Predictors: (Constant), Mark. communication, finance, human relationship, operation
b. Dependent variable: Performance

Table 7 displays the value of R Square 0.9335 or R2 0.871, explains the contribution or contribution of the independent variables included in the regression equation to performance is 87% which has contributed from marketing communication, financial, human relationship and operational. In comparison, the other 13% epsilon was contributed by other variables not examined in this study such as organizational culture, work ethic, motivation, compensation, etc.

5. Conclusions

In conclusion, this study identifies that internal factors greatly affect the company's performance to survive, such as: Judging from the results of the average indicator (mean), which has the highest value of all variables is the marketing communication variable, then the human relations variable, followed by finance and finally operational. Thus, for a startup business to increase its sales, it needs good marketing communication. The marketing communication factor is the main thing because there are so many startup companies with not so big costs. Of course, there are many competitors; therefore, we must choose our market segment and then, adjust the products produced according to consumer tastes and then promote in several ways such as Advertising, Personal selling, Sales promotion, Publicity and public relations, and Direct marketing so that consumers can recognize the company. The second highest factor is human relations. This factor is very influential in improving the performance of startup companies through good personal relationships with customers, and distributors, good relations between owners and employees, as well as with competitors. It is useful to remain a means of motivation and to be unique compared to competing companies by preparing various existing facilities and infrastructure to remain known.

Then, the third highest factor is finance; started a startup business, of course, the capital already exists to manage it with a comparison between own capital and loans that must be taken into account, do not use hot money with high-interest rates where it will be difficult to pay, the percentage of profits must be calculated by doing low fees and Being able to manage finances to separate personal expenses from business expenses requires an understanding of BEP calculation knowledge. The last factor is operational, namely, the Availability of Raw Materials, Production Capacity, Modern Technology, Machinery and Quality Control so that creativity and innovation can be realized in running a business. Several suggestions can be put forward for practical purposes, and development of further research, including startup entrepreneurs must remain consistent in increasing the growth of their companies through marketing communications to maintain existing market segments and continue to carry out promotions, especially in collaboration with distributors such as online sales that can be reached from various areas of the city of Medan. And it is necessary to maintain interpersonal relationships, especially with customers, employees and distributors, so that motivation and word-of-mouth promotion can occur beyond our control properly.

Startup Entrepreneurs, to increase the number of business assets, capital, labor, and profits obtained in the sale of their products, must be maintained the principle of low costs and strict supervision of unnecessary costs. It is also necessary to pay attention to the formal educational background, the level of suitability of the knowledge and skills to be applied to the company and the importance of taking financial and managerial skills courses, which can improve business performance. Finally, startup businesses have many competitors because they do not have a large capital, so they are easy to imitate. Therefore, it is hoped that the company's uniqueness, innovation and creativity will continue to be improved to remain different and superior to its competitors. Company/Startup growth can also be increased through entrepreneurs' ability to translate government policies in encouraging business development, socio-cultural and economic impacts, as well as the important role of relevant agencies in developing their businesses and their capabilities. adapt to changes in government policies.

Conflicts of Interest: The authors declare no conflict of interest.

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