

The Success of a Start-Up: Examined from Creativity, Innovation, and Knowledge

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Abstract : This study describes the phenomenon of the success of start-up businesses in Tulungagung, indicating stagnation and suboptimal performance, examined through the aspects of creativity, innovation, and the knowledge of the entrepreneurs. The aim of this study is to elucidate the impact of creativity, innovation, and entrepreneurial knowledge on the success of startup ventures. The research employs a quantitative approach, utilizing a survey distributed through questionnaires to gather responses from 60 startup entrepreneurs. Multiple linear regression analysis is employed to analyze the data. The findings of the research suggest that creativity does not exert a significant influence on the success of startup businesses, and similarly, innovation does not play a significant role in determining their success. On the other hand, entrepreneurial knowledge demonstrates a positive and noteworthy effect on the success of startup businesses. Concurrently, when considered together, creativity, innovation, and entrepreneurial knowledge collectively exhibit a positive and significant impact on the success of startup businesses. In summary, an enhancement in creativity, product innovation, and entrepreneurial knowledge, when undertaken collectively, leads to an augmentation in business success. Conversely, a simultaneous decrease in these factors results in a decline in business success.

Keywords : *Creativity, Innovation, Knowledge, Business Success*

1. Introduction

One step in supporting the achievement of national development is empowering the community through Micro, Small, and Medium Enterprises (MSMEs). Empowering MSMEs amid globalization and high competition requires them to face global challenges such as enhancing product and service creativity, entrepreneurial knowledge, human resource and technological development, as well as expanding

marketing areas (Arbawa & Wardoyo, 2018). Additionally, unpredictable changes in consumer preferences demand that MSME entrepreneurs be creative in continuously creating valuable and distinctive works (Susanti et al., 2020). MSMEs also rely on the creative thinking of every business actor to create new business fields, encouraging entrepreneurs to actively utilize their existing capabilities for the achievement of significant business success (Jatmiko, 2016), this can be used by the government as a basis for formulating strategies and regulations to support the success of small businesses, especially start-ups, in Tulungagung.

Business success cannot be achieved easily but must go through several stages to reach the goals. According to Jatmiko et al., (2018) to become an entrepreneur or a successful businessperson, one must first have business ideas or visions, followed by the willingness and courage to face risks, both in terms of time and money.

Based on data from the Cooperatives and SMEs Agency since 2023, Tulungagung Regency is an area with a large number of Micro, Small, and Medium Enterprises. The total number of MSMEs in Tulungagung is 139,386, of which only 28,495 are registered with the Department of Investment and Integrated Services (PTSP) Tulungagung, and 20% of them are novice entrepreneurs. This phenomenon has driven the economic ecosystem of the community, but most of them, although registered with the ministry, receive limited guidance and mentoring, operating in various sectors such as tailoring, coffee shops, handicrafts, livestock farming, mobile phone counters, restaurants, and snacks produced by housewives.

Creativity is the ability to develop new ideas, new problem-solving approaches, and find opportunities to think of something new and different, which can be sourced from consumers (Anjaningrum & Sidi, 2018; Utaminingsih, 2016). In addition to creative thinking, an entrepreneur must also have ideas for innovating business development. Innovation is generally a special talent possessed by an entrepreneur (Sondra & Widjaja, 2021). Taking action to innovate a product will result in a clear difference in the product itself. Entrepreneurs, in this case, will achieve success

through thinking and implementing new things or old things in new ways. Innovative thinking is related to the action of deeply studying a problem in the mind. The problem is visualized clearly, and then an evaluation is carried out regarding all actions toward formulating a new idea or concept that is different from known old things. The ability to innovate is through the process of transforming opportunities into ideas and concepts that can be sold (Pudyastuti & Saputra, 2021). In essence, in the business world, effective innovation is simple innovation that focuses only on achieving different achievements. Taking action to think innovatively is an added value and a source of opportunities for entrepreneurs (Elwisam & Lestari, 2019).

Business success is also influenced by entrepreneurial knowledge acquired through the learning process of observation and experience, which can shape a person's mindset and personality (Limsangpetch et al., 2022). Knowledge obtained from the entrepreneurial learning process includes understanding how to turn business opportunities into profitable business opportunities, how to start a new business, generate new additions, and create new products and services as capital for entrepreneurship (Saunila, 2020). Some studies related to business success (Br Sitepu, 2017; Calvin, 2021; Idawati & Pratama, 2020) state that creativity and innovation have an impact on the success of Micro, Small, and Medium Enterprises (MSMEs). It can be concluded that the better and higher the level of creativity and innovation applied in the business, the higher the business success will be.

2. Methodology

This research uses a descriptive and verificative quantitative method. The population in this study consists of all start-up entrepreneurs in Tulungagung Regency, totaling 60 entrepreneurs. The researcher took a sample size equal to the population, known as a census, encompassing all entrepreneurs. Data collection was conducted through a survey method by distributing questionnaires and literacy development. The collected data were processed using multiple linear regression (Ferdinand, 2014).

3. Result

The validity test indicates the extent to which an instrument is used to calculate what is estimated. The validity test demonstrates whether the measurement tool used to obtain information in the research can be utilized effectively or not. The questionnaire used in this study was subjected to validity and reliability tests before being employed as a tool for gathering information (Sugiyono, 2018).

Table 3.1 Validation of Instrument

Item Of Indicators	Correlation	Value R table	Decision
Item Creativity 01	0,856	Value r > 0,2638	Validation Accepted
Item Creativity 02	0,732		
Item Creativity 03	0,803		
Item Creativity 04	0,771		
Item Creativity 05	0,743		
Innovation X2.1	0,624		
Innovation X2.1	0,818		
Innovation X2.1	0,641		
Knowledge X3.1	0,804		
Knowledge X3.2	0,864		
Knowledge X3.3	0,898		
Knowledge X3.4	0,726		
Business Success (Y.1)	0,784		
Business Success (Y.2)	0,689		
Business Success (Y.3)	0,796		
Business Success (Y.4)	0,653		

Source : Data Processed, 2023

Based on the table above, it is evident that all indicators in the creativity variable show an “r-value” greater than the “r-table” (0.2638). This can be concluded that all indicators in the creativity, innovation, knowledge, and business success variables are considered valid. The reliability test results indicate that Cronbach's Alpha for the variables Creativity is 0.882, Innovation is 0.817, Knowledge is 0.909, and Business Success is 0.848. All these values are above 0.60, demonstrating reliability. Therefore, it can be concluded that the indicators or questionnaires used for each variable are deemed reliable and trustworthy as measurement tools for the respective variables.

Table 3.2 Multiple Regression Analysis

Variable	B	t-satistic	Sig.	Decision
Creativity	0,171	0,995	0,326	H1 not accepted
Innovation	0,147	0,800	0,429	H2 not accepted
knowledge	0,302	2,728	0,010	H3 accepted
Constant	5,789			
Rsquare	0,646			

Source : Data by Processed, 2023

Based on the table above, the regression equation obtained in this study is: $Y = 5,789 + 0,171X_1 + 0,147X_2 + 0,302X_3$. According to the table, the F-test coefficient is 8.594 with a confidence level of 95% (p-value) or $\alpha = 0.05$. The calculation indicates that the calculated F-value of 8.594 is greater than the tabulated F-value of 4.113 ($8.594 > 4.113$), and the significance value is less than the probability value ($0.00 < 0.05$). Therefore, the hypothesis is accepted, meaning there is a significant simultaneous influence between Creativity (X1), Product Innovation (X2), and Entrepreneurial Knowledge (X3) on Business Success (Y).

The R coefficient value is 0.646, indicating that the relationship between creativity, innovation, and knowledge on business success has a high influence of 64.6%. As for the R2 value in this study, it is 0.417. This means that the success of MSMEs can be explained by creativity, innovation, and knowledge by 41.7%, while the remaining 58.3% is explained by other variables not included in the model. This indicates that the independent variables only provide some of the information needed to predict the variation in the dependent variable.

4. Discussion

The results of hypothesis testing 1 indicate that the regression coefficient is not significant. It can be said that the creativity variable, partially, does not have a significant effect on Business Success (Y). This finding contradicts Chatterjee & Kumar Kar (2020) who argued that creativity is crucial for creating competitive advantages and business sustainability. Demikian juga penelitian Nguyen et al., (2021) The statement suggests that creativity has a significant impact on the success of Micro, Small, and Medium Enterprises (MSMEs). It can be concluded that the

better and higher the level of creativity applied within the business, the greater the success of the enterprise. Although creativity plays a crucial role in sustaining businesses, it is defined as the capacity to generate new ideas and explore better approaches to address problems and capitalize on opportunities in business. In Tulungagung's startup businesses, the majority, specifically 67.5%, are engaged in the culinary sector, and most of them are relatively new, with over 65% having been in operation for less than 3 years. This indicates that startup businesses lack experience, insight, and competence in consistently fostering creativity to create new products. This is evident in respondents' feedback, revealing a lack of flexibility in developing new products, keeping up with technological advancements, and overall creativity in product development. As expressed by Utaminingsih (2016) the success of a business is fundamentally not dependent on its size but is influenced by how it is managed. Entrepreneurs must be adept at recognizing existing opportunities. To become a successful entrepreneur, one must have a clear business idea or vision, followed by the willingness and courage to face risks, both in terms of time and money.

The results of the hypothesis test 2 indicate that the regression coefficient is not significant. Therefore, it can be stated that the innovation variable, partially, does not have a significant impact on business success. This finding is supported by previous research (Gradistya & Farida, 2016; Lutfi et al., 2021) which found that innovation does not have a significant positive effect on the success of MSMEs. Consequently, innovation is identified as a hindering factor to business success. This result contrasts with the theory proposed by (Gradistya & Farida, 2016; Zidni & Ngatno, 2016) which suggests that product innovation is a crucial element supporting business success. According to these theories, the success or failure of a business is in the hands of the manager, who, through correct decision-making and policies, can lead the business to thrive or decline. To enhance business success, one crucial effort is to improve internal resources, with product innovation being among the most important

internal resources. However, entrepreneurs still lack experience and competence in developing their products through innovative practices. They often become complacent when their products are selling well and generating profits. Moreover, they are hesitant to make changes or innovations to their products, such as altering designs, paying attention to the production process to satisfy customer demands, or developing products to attract customer interest. The reluctance to innovate and make periodic changes to create new variations in menus can lead to customer boredom. The reasons for businesses failing to innovate their products include short-term thinking, a lack of innovative mindset, failure to understand customer needs, budget constraints, prioritizing technology over solutions, and errors in identifying target markets.

The results of hypothesis test 3 show that the regression coefficient has a positive and significant impact. Therefore, it can be stated that the entrepreneurship knowledge variable, partially, has a significant effect on business success. This finding aligns with the study by Bagheri et al., (2022) which asserts that an entrepreneur is unlikely to succeed without knowledge, skills, and willingness. Entrepreneurial knowledge encompasses understanding the business to be initiated or established and the existing business environment, knowledge of roles and responsibilities, and knowledge of business management and organization. Entrepreneurial knowledge is acquired through the process of learning, observation, and experience. This process shapes an individual's mindset and personality. According to Limsangpetch et al., (2022) a successful entrepreneur typically possesses competencies, including knowledge, skills, and individual qualities such as attitude, motivation, personal values, and behavior necessary to carry out tasks and activities. An entrepreneur's success is contingent on having the appropriate knowledge, skills, and abilities, as highlighted by the notion that successful entrepreneurs generally possess competencies. These competencies encompass

knowledge, skills, and individual qualities, including attitude, motivation, personal values, and behavior essential for performing tasks and activities.

The results of hypothesis test 4 indicate that Creativity (X1), Innovation (X2), and Entrepreneurship Knowledge (X3) collectively have a positive and significant impact on the Business Success (Y) of startup entrepreneurs in Tulungagung Regency. This implies that if creativity, innovation, and entrepreneurship knowledge are collectively enhanced, it will result in an increase in the success of startup businesses. Conversely, if the levels of creativity, innovation, and entrepreneurship knowledge decrease together, it will lead to a decline in the success of MSMEs. These findings are consistent with related studies on business success (Calvin, 2021; Paulus & Wardhani, 2018; Pudyastuti & Saputra, 2021; Utaminingsih, 2016) which suggest that creativity and innovation significantly influence the success of Micro, Small, and Medium Enterprises (MSMEs). It can be concluded that the higher and better the levels of creativity and innovation applied within the business, the greater the success of the business. Based on the coefficient of determination analysis, the R coefficient is 0.646, indicating that the relationship between creativity, innovation, and knowledge regarding business success has a high influence of 64.6%. The R² value in this study is 0.417, meaning that 41.7% of business success can be explained by creativity, innovation, and knowledge, while the remaining 58.3% is explained by other variables not included in the model.

5. Conclusion

Based on the results of this study, it can be concluded that the variables of creativity and innovation do not have a significant impact on the success of startup businesses in Tulungagung Regency. However, the entrepreneurship knowledge variable has been proven to have a positive and significant influence on business success. Simultaneously, creativity, innovation, and entrepreneurship knowledge collectively provide a positive and significant impact on the success of startup businesses. The analysis results indicate that these three variables explain approximately 64.6% of business success, while the remaining portion may be

influenced by other factors not included in this research model. Therefore, for startup entrepreneurs in Tulungagung Regency, there is a need to enhance creativity and innovation in product development, along with strengthening entrepreneurship knowledge. Awareness of the importance of these factors is expected to contribute positively to the improvement of their business success in the future.

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