
Methodology and Approach

The strategy tripod (Peng et al. 2008, 2009), institutional theory (North 1990) and system theory (Sterman 2001; Beer 1967, 1984) form the analytical framework used for modelling a generic technology based start-up with a focus on system dynamics. Institutional factors are included in the model to simulate the start-up’s institutional environment. The start-up model is then applied to the Chinese and Indonesian institutional context to examine the effect of institutional factors on the performance of technology based start-ups in these two countries over the course of five years. Comparative analysis and sensitivity analysis are used to discuss the results of the simulation.

Main Facts

The Performance of Technology Based Start-Ups in China and Indonesia

The country-specific results and comparative analysis showed that both start-ups survive the first five years of being in business and are profitable throughout the simulation period. In financial terms, the start-up in the Chinese institutional environment performs better than the start-up in the Indonesian context. It achieves a higher net income and accumulates more cash over the simulation period. According to non-financial performance indicators, the Indonesian start-up performs better than the Chinese start-up. Its product is more sophisticated and it has more customers and employees than the Chinese start-up. Furthermore, its value proposition is better than the competition’s value proposition. This is mainly due to the fact that the Indonesian start-up employs more staff than the Chinese start-up. A closer look on the reasons for the superior performance of the Indonesian start-up in terms of non-financial indicators reveals that the Indonesian start-up only has a more sophisticated product and more customers because its number of employees is higher than the one of the Chinese start-up. Its productivity level which also affects product sophistication is not higher than the Chinese start-up’s productivity level. Similarly, its productivity is only due to the fact that the Indonesian start-up incurs higher sales effort due to a higher number of sales employees. Consequently, the Indonesian start-up incurs higher costs than the Chinese start-up due to its higher number of employees. The additional revenues it generates from selling to more customers than the Chinese start-up are significantly reduced by its salary expenses. As a result, its financial performance is inferior to the financial performance of the Chinese start-up.

Results

The analyses of the start-up simulation provide the basis for answering the first research question as follows: Given the same business model, a technology based start-up is likely to succeed in both China and Indonesia. At the same time, it is likely be more financially successful in China than in Indonesia. The discussion of the country-specific results and the comparative analyses show that the start-up in the Indonesian institutional environment performs better than the start-up in the Chinese institutional environment in regard to non-financial indicators. The Indonesian start-up has a more sophisticated product and a larger customer base but due to its excessive number of staff, it incurs high its larger customer costs which dampen its financial performance. The Chinese start-up resembles a “lean start-up” as it has fewer employees than the Indonesian start-up but at the same time a slightly higher level of productivity. This results in superior financial performance despite its lower number of customers and product features. Sensitivity analysis of the start-ups’ institutional environment identifies the most critical institutional factors influencing start-up performance. Its findings provide an answer to the second research question: The performance of technology based start-ups in China is most affected by the institutional factors technology adoption, unemployment rate and labor market regulations. In Indonesia, the institutional factors which have the most significant impact on the performance of technology based start-ups are technology adoption, higher education and performance orientation.

References

All references can be found in the full version of the MA thesis available at http://othes.univie.ac.at

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