Factors affecting the success of startup business in Addis Ababa.

The Thesis Submitted to Addis Ababa University college of Business and Economics as Partial Fulfillment of Masters of Science in Management Specialization in Organization Excellence and Total Quality Management

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ADDIS ABABA, ETHIOPIA

DECLARATION

I, Yohannes Negash, hereby declare that this thesis entitled “Factors affecting the success of startup business in Addis Ababa” submitted by me for the award of the degree of Master of science in Management, Addis Ababa University at Addis Ababa, Ethiopia, is my original work and it has never been presented in any university. All sources and materials used for this thesis have been duly acknowledged.

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Date: October, 2024 G.C

Statement of Certificate

This is to certify that Yohannes Negash has completed his thesis entitled “Factors affectung the success of startup business in Addis Ababa” is his original work and is submitted for examination with my approval as a thesis.

Yared Aserat (PhD) _____ October, 2024 G.C

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Approval Page

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Factors affecting the success of startup business in Addis Ababa.

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ABSTRACT

Purpose of the study

The Purpose of the study was to investigate the relationship between factors(human capital, Financial capital, cultural factor, social factor and government policy) and success of startup business in Addis Ababa..

Design/methodology/approach

The research framework was investigated using a self administrative questionnaire. Based on simple random sampling technique, 219 employees were selected from beU delivery and Gebeya analyzed by using SPSS version 27.

Findings

Evidence from the study showed that the study variables (HC, FC, SF, GP) significantly influenced success of startup business but CF has found insignificant result.

Practical Implications

To make these factors add value to the increase success, startups have to use them in structure, processes and culture.

Originality/value

Prior research has focused mostly on direct relationships; the current work builds the combination of contingency and RBV theory by considering the empirical explanation of strategic orientation dimensions and environmental turbulence. Additionally, the study also contributes significantly to strategic orientation and organizational performance literature.

Keywords: *Human capital, Financial capital, Cultural factor, Social factor, Government policy and Startup success.*

TABLE OF CONTENT

1. Chapter one

1.1 Background of the study

Startups are rapidly expanding in the marketing sector, but many have failed, with only a small number of entrepreneurs achieving success in business. It is crucial for entrepreneurs to understand the factors involved in building a successful business (Krishna, Agawal, & Choudhary, 2016). According to Hyder and Luiser (2016), more than 80% of startups fail in their first year, despite the identification of factors that can lead to success. This high failure rate is often due to a lack of knowledge about startups (Mauricio, 2017). The investment dictionary defines a startup as the early phase of a new company or product that uses new technologies. The European Startup Monitor adds that a startup cannot be more than 10 years old and must have an innovative or disruptive business model and technology.

In recent years, startups have become a powerful driver of innovation, economic growth, and job creation worldwide. Small and medium-sized enterprises (SMEs) and startups are estimated to represent more than 90% of businesses globally, contributing to employment and Gross Domestic Product (GDP) in both developed and emerging economies. Despite their significant impact, startups also face high levels of uncertainty and a daunting failure rate, with research suggesting that up to 90% of new businesses fail within their first few years. This high rate of failure has sparked interest in understanding the factors that influence the success or failure of startups Hyder and Luiser (2016 .

Success in the startup environment depends on a complex interplay of internal and external factors. Internally, elements such as human capital, including the skills and experience of the founding team, play a vital role in shaping strategic decisions, product development, and growth. Financial capital is equally critical, as adequate funding enables startups to cover essential expenses, invest in growth, and compete effectively. Furthermore, external factors such as social networks provide crucial support through mentorship, partnership opportunities, and access to investor networks.

Government policies and cultural factors further shape the entrepreneurial landscape, either promoting or limiting startup growth. Supportive government policies, such as tax incentives, funding programs, and reduced regulatory burdens, can facilitate easier entry and growth for startups. Additionally, cultural attitudes toward risk-taking, innovation, and entrepreneurship influence the broader acceptance of startups and the willingness of consumers to adopt new products.

In Ethiopia, the startup sector is seen as a crucial initiative, particularly for youth entrepreneurs. The International Labour Organization (ILO) defines youth as individuals aged 15-29, although other databases define youth as those aged 15-24 (Maina, 2016). According to the Organization for Economic Co-operation and Development (OECD) in 2019, more than 212 million people will be unemployed, an increase from 201 million (Mr. Nipuna Tookham, 2021). Youth are more susceptible to unemployment compared to older generations (Maina, 2016). ILO statistics show that global youth unemployment stood at 4.9% in May 2024, down from 5.0% in 2023.

A successful startup is characterized by going public or being acquired (Hyder, 2016), meeting the company's goals and objectives, and demonstrating strong management (Thanh, 2016). Business success is also defined by market share, customer base, and growing sales and profitability, which should be on par with or above the industry average (Mauricio, 2017). This is what constitutes good financial performance (Spiegel, 2016). This research builds on previous studies, focusing on the factors influencing the success of startups at various stages of development.

1.2 Background of the organization

1.2.2 Gebeya : - Since raising $3.15 million in seed funding in 2016, Gebeya has emerged as a vital platform in Africa's tech landscape, serving as a market place for top freelance tech talent. By offering training and connecting skilled workers with global companies, Gebeya not only fosters local talent but also positions African innovation on the international stage. They are operator of a talent market place platform intended to expand access to its network across the continent and around the globe. The company's platform offers training of coding, design, and

development operations, an online ecosystem for technology talent, and an incubator that scales up startups, enabling trainees ta avail of funds for scholarships and also receive guidance and mentorship.

1.2.2 beU delivery :- founded in 2019 with $125,000 in seed funding, beU delivery quickly established it self as a key player in Addis Ababa's vibrant food delivery market. Focusing on speed, affordability, and convenience, beU has adapted to the fast-paced urban lifestyle, offering a seamless services that supports local restaurants and provides consumers with a diverse array of culinary choices. beU delivery is an on-demand food delivery service in Africa.They offer a great selection of local restaurants and door to door food delivery that allows the customer to have their favorite food from the comfort of their home or office. They deliver at significantly cheap rate than their peers, making food delivery affordable for the mass. They plan to expand their services to new markets and eventually become the supper app of Africa.

1.3 Statement of the problem

The absence of proper information and data about factors that laid startups to failure, makes them vulnerable to traditional modes of investing their money which in turn has its own regressing effect towards sustainable business in the country. Despite all the favorable market landscape new startups face significant challenges in effectively penetrating and establishing themselves within this competitive industry. This startups could face human capital, financial capital, cultural factor, social factor, and government policy. And failure to address these challenges effectively could result in limited startup's growth and success. In most developing countries startups by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their powerful propellant for rapid economic growth . The sector is also known as an investment potential in bringing economic transition by effectively using the the skill, talent of the people and of course capital. Startups are a dynamic and turbulent sector with multitudes of business moving in and out. Most importantly they are strategically significant in development for various reason.

In recent years, startup businesses have gained considerable attention as drivers of innovation and economic growth. However, despite the enthusiasm around entrepreneurship, the failure rate of startups remains alarmingly high. Studies indicate that a significant percentage of startups fail within their first few years of operation. This trend highlights a pressing need to understand the factors that contribute to the success or failure of startup businesses.

Startup businesses are influenced by a myriad of factors, including but not limited to financial resources, market demand, competition, technological advancement, and management expertise. Additionally, external factors such as economic conditions, regulatory environments, and access to support networks also play a crucial role in determining the sustainability and growth of new ventures. However, while these factors have been broadly identified, there is limited research on how they interact and impact startups in specific contexts, particularly in rapidly evolving industries.

1.4 Research questions

1. What are the factors affecting the success of startup business?
2. What is the level of the success of startup business?

1.5 Objective of the study

1.5.1 General objective

The general objective of the study is to assess the factors that affect success of startup business in Addis Ababa.

1.5.2 Specific objective

1. To assess the factors affecting success of startup business.
2. To identify the level of success of startup business.

1.6 Significance of the study

In business, knowledge is power. The ability to make informed decision is crucial for any organization's success and growth. To achieve this business, rely on research- a systematic inquiry that helps unravel complex problems, discover insights, and explore new opportunities. This research will involve a structured investigation aimed at collecting and analyzing data to address specific business challenges and factors and explore potential opportunities to help the business grow. The purpose of this research is to examine the factors that affect startups in Addis Ababa which comprise the majority of economic activity in an emergent/developing economy of the capital. Thus, this work support to better understanding why some business succeed and others fail, and then apply in business. The study will purposely develop new aspects and strategies to systematic approach for assessing and managing the risks of startups. There fore the strategies will necessary to start-up for stable, prospours, sustainable in change of customer's behavior. By enable the youth to know the factors that define a successful business startup and guiding strategies for launching business, it is the rural youth and urban youth to have more confident to take risk in business. This research will play a vital role in identifying and defining the problems that organizations face. It helps clarify factors, determine their root causes and establish clear objectives for further investigation.

1.7 Scope of the study

The research is limited on detecting the relationship between factors (Human capital, financial capital, social factors, cultural factors, government policy) and success of startup businesses in Addis Ababa. However, because of budget and time constraints this study covered only five startups (Gebeya, Arif pay, Ride, beU delivery and Dodai manufacturing).

1.8 Structure of the study

The reminder of this thesis is divided into 5 chapters. The first Chapter comprised of problem statement identifying the gaps to be addressed, research question, significance, scope and delimitation of the research. Chapter 2 explores the literature relevant for this study. Chapter 3 describes the research methods selected to conduct the empirical study. This includes an over view of research methodology including research design, sample design, data collection technique and data reliability test and data analysis. Chapter 4 includes comprised of results and discussion of findings and interpretation. The final chapter 5 draws summery of findings, conclusion and discussions on research questions and hypothesis and forward recommendation.

1.9 Significance of the study

Startups are one of the government priority areas in the struggle towards growth and development. This study also could be seen as part of an element of growth effort in identifying the factors that hinder the performance of startup business in Addis Ababa. The findings of this study would provide business owners a ground for analyzing to structure startups and it also provide practical inputs that would help them to take informed decisions.

This study seeks to identify and analyze the key factors affecting the success and sustainability of startup businesses. By examining both internal and external variables, this research aims to provide insights that can help entrepreneurs, investors, and policymakers understand and address the challenges that startups face. Understanding these factors is essential for improving the survival rate of startups, fostering innovation, and supporting economic development.

1.10 definition of terms

An enterprise*:* can be defined as an undertaking engaged in production and/or distribution of goods & services for commercial benefits, beyond subsistence (household) consumption at the household level.

Cooperatives: association of at least 10 individuals, who are grouped, organized for the same organizational objectives (from the same area).

Factors: A factor is a contributory aspect such as political-legal, working premises, technologies, infrastructures, marketing, financial, management and entrepreneurial influences that affect performance of micro and small Enterprises.

Formal enterprises*:* are defined as establishments principally engaged in production of marketed goods and services but formally registered at respective government agencies to undertake the business and hence have licenses to operate.

Growth oriented Micro and Small Enterprises (MSEs)*:* are MSEs engaged in production of goods and services in the sectors given priorities in the economic development of the country in most policy and strategy documents of the government (e.g., MoFED, GTP, 2010).

Informal enterprise*:* there is consensus that they are small scale, and operate outside registration,licence and tax frameworks.

Micro Enterprise*:* when the numbers of its employees (including the owner or family) are not greater than 5 & total asset is ≤ 100,000 ETB for industrial sector and ≤ 50,000 ETB for service sector (MSEDS,2011).

Small Enterprise*:* means a business engaged in commercial activities whose capital is not exceeding birr 1.5million and 6-30 employees for industries and 500,000 for service other than high technology and consultancy service institutions.

Chapter 2

Literature review

2.1 Introduction

This chapter elaborate startups based on literature's, and it comprises of six sections, these are definition of startups, the role of startup in minimizing the rate of unemployment, the startup sector in Ethiopia, the concept of business performance, empirical studies and the conceptual framework.

2.2 Definition of startups

According to investment dictionary, startup is the beginning of a new company or new product and sector where new technologies are used (GRANT, 2020). According to European Startup Monitor (ESM) has a 2-part criterion for startups. Firstly, startup cannot be more than 10 years old. Secondly, it must “have an innovative/disruptive business model or technology” and/or “to aim at a significant growth in revenue and number of employees” (Ripsas, 2015). According to “Academy of Entrepreneurship Journal”, Mauricio showed that a Startup is a new and temporary company that has a business model based on innovation and technology. In addition, these types of companies have a potential for rapid growth and scalability. Startups are known to governments around the world for their contribution to economic stability, growth, and job creation (Mauricio, 2017). On the other hand, startup is one who can create their business with what resources they have, and then take their idea and concept to investors to see if they have what it takes to get funding and bring their business to that next level (Johnson, 2015). Moreover, Startups also referred to as new technology-based enterprises, are those temporary organizations that create innovative products and/or services using high technology (Mauricio, 2017). The essence of having successful start-ups business among the youth is to ensure that youth are not only employed, but have sufficient income to sustain their livelihoods, and also

contribute to economic development of their nation. Fostering youth entrepreneurship is key policy option for most developing countries. Globally, youth between 15 and 24 years make up 17% of the world population (Maina, 2016). However, different continent achieving in dissimilar types. For instance, in several European countries are aware that support for the creation of new innovative technological ventures with a high potential for growth in the market is important for the development of their economies. Meanwhile, in Latin America today is more encouraging, with a range of traditional support programs in seed capital, investment angels and venture capital (Mauricio, 2017). In United Stated, startups employers have 1.5 million people and account for an estimated 2.8 percent of all US businesses. In the Europe, number of startups and SMEs account for roughly 67 percent of jobs, employing almost 90 million workers. Tech-based startups also have broad direct and indirect job creation impacts, often at national and global scales. Additionally, numerous former startups such as Google, Microsoft, and Facebook have become massively valuable companies with large societal impacts (Jacob Nelson, 2019). Let take a look where startup or Entrepreneurs come from: startup founder teams have an average age of 35 to 54 years old. Prior work experience isn't a requirement for startups, but most founders 39 percent were previously a CEO or Founder of another company. 28 percent of founders have a mixed background of job titles spanning across upper management, director or manager positions. Education is of little importance in the world of startups, are more than 60 percent of founders have little to no college experience (Johnson, 2015). Startup or Enterprises is to deliver on social mission goals without lessening their business performance, lack of funds, and have to leverage the collaborations that often occur in spontaneous entrepreneurial and innovation ecosystems (Luca Cacciolatti, 2020). This is particularly true for startups, which lack resources and social capital (S.C. Lonial, 2015). Therefore, by lacking sources of funds rapidly growth economic, startups have to be strategic in nature and different types of partner to shape their different strategic positions (Herrera, 2015). According Postmortem analyses show that startups fail due to a number of internal and external factors (Cantamessa, 2018). Internal factors refer to factors inside of a company, like managerial structure or team composition while external factors are those aspects of the environment that affect the company, such as a strong presence of competitors or a weak product–market fit (Jacob Nelson, 2019). Startups

success requires management that can successfully navigate the resource-constrained nature of startups. Even with an efficient team and effective management, the environment surrounding a startup can still cause it to fail (Cantamessa, 2018). Management skills is the resources necessary to bring success to the company and also describes
the degree of competencies, attitudes, skills or abilities of the entrepreneur to meet the objectives and goals (Hyder, 2016). External factors of startup failure can include a poor product–market fit and an insufficient or ineffective network of support or an inability to obtain funding (Cantamessa, 2018). To avoid failure, startups need to create a product that meets customer needs and market demands before depleting their resources (Unterkalmsteiner, 2016). Strategic alliances help to connect startups to valuable resources, and those companies who fail to form these alliances have a higher chance of failure. Unable to create a net-positive revenue, startups ultimately fail when they exhaust their resources and their options (Cantamessa, 2018). The following part will provide an overview of the most characteristic factors causing a startup's failure or success regarding to literature review. The factors which determine startup companies categorize into two main factors and following sub-factors too. According Postmortem analyses show that startups fail due to a number of internal and external factors (Cantamessa, 2018).

2.4 startup sector in Ethiopia

Startup businesses play an important role in the Ethiopian economy. They create jobs, drive innovation, and contribute to economic growth. However, many startups in Ethiopia fail within the first five years. One of the main reasons for this high failure rate is poor financial management. Many of their finances, which makes it difficult to make sound business decision. On the other hand, the country has one of the highest unemployment rates and the number of urban unemployment is high. Hence, to promote the proliferation of startups and enhance its performance to enable to tackle the problem of unemployment and poverty reduction, the government forwarded MSE Development Strategy in 1997, in 2003 and in 2011. Regardless of the different promotional efforts made by the government the sector was highly constrained by poor productivity, poor performance and stagnant growth, these was mainly due to

unfavorable legal and regulatory frameworks, underdeveloped infrastructure, poor business development service, limited access to finance, ineffective and poorly coordinated institutional support. (Endalkachew, 2008). The problems encountered by MSEs are both at the startup and establishment phases. Majority of startups are survival driven, strive to secure the basic needs of an entrepreneur, with lack of capital, skill and knowledge to manage their business. All these forced enterprises to produce poor quality of products and have a lower productivity; these situations led for the poor performance, stagnant growth . Study also showed that,in SSA countries startups face a failure rate of 85% (Fedahunsi, 1997:170-186). As a result the contribution of startups to the national economy was very low as compared with that of other African countries of Kenya, Tanzania and Uganda (Zeleke Worku 2009:1-9).

2.6 The concept of business success

According to Martin (2010:67) success is defined simply in terms of output terms such as quantified objectives or profitability. Success has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin K.J., 2009:31). The issues that remain unresolved are the goals against which performance should be assessed and from whose perspective the goals should be established (Etzioni, n.d:128). global entrepreneurship monitor defined performance as the act of performing of doing something successfully; using knowledge as distinguished from merely possessing it. A start up is an attractive business phenomenon that raises grate expectations among founders and investors. The fulfillment of of the expectation is conditioned by the growth of business performance. The factors that influence the performance and growth are mostly hypothetical, they are logically consistent, but there is a lack of quantitative research that would bring more exact scientific knowledge. The research aims is to identify the factors that led the business to grow and success.

2.7 Empirical studies

Cultural factors play a significant role in shaping the success of startups by influencing the behaviors, values, and attitudes toward entrepreneurship within a society. Research indicates

that cultures that value individualism, risk-taking, and innovation tend to foster higher rates of entrepreneurial activity and startup success. For instance, Hofstede's cultural dimensions theory suggests that individualistic cultures encourage entrepreneurial independence and resilience, essential traits for startup founders facing uncertain markets and competition (Hofstede, 1980). Moreover, countries with high tolerance for uncertainty and lower levels of power distance tend to create supportive environments for new ventures. In such cultures, there is greater acceptance of business failure as part of the entrepreneurial process, which can empower founders to take risks without fear of social stigma (Hayton, George, & Zahra, 2002). Furthermore, studies by Stephan and Uhlaner (2010) show that societies with pro-entrepreneurial cultural norms, such as openness to new ideas and an appreciation for innovation, provide more opportunities for startups to introduce novel products and capture market share.

Conversely, cultures that prioritize job security and are risk-averse may inhibit startup activity. In such environments, potential founders may face societal pressure to pursue stable career paths over entrepreneurship, limiting the diversity and dynamism of the startup ecosystem (Liñán & Fernandez-Serrano, 2014). Therefore, fostering a culture that encourages entrepreneurship, embraces innovation, and views failure as a learning opportunity is essential for supporting startup success.

Social factors, including networks, mentorship, and community support, play a critical role in the success of startups by providing entrepreneurs with access to essential resources, knowledge, and opportunities. The social capital theory suggests that networks and connections are vital assets for startups, enabling founders to gather critical insights, secure funding, and form partnerships that facilitate business growth and market entry (Nahapiet & Ghoshal, 1998). Studies highlight that strong social networks allow startups to leverage external expertise and access markets, enhancing their chances of survival and scalability (Stam et al., 2014). Mentorship is another influential social factor, as it helps founders navigate challenges, make informed decisions, and refine their business models. Research by Sullivan and Ford (2014) underscores that mentorship from experienced entrepreneurs is associated with

improved startup performance, particularly in the early stages. Furthermore, communities with a supportive entrepreneurial culture—such as those found in innovation hubs like Silicon Valley—create environments where resources and collaboration are more accessible, fostering a collective spirit that drives startup success (Feld, 2012). In contrast, startups operating in socially isolated or resource-limited communities often struggle to access these benefits, which can hinder their growth potential. Overall, social factors, including networks, mentorship, and community support, are instrumental in shaping the trajectory of startup success by providing critical pathways to resources, guidance, and market access.

Human capital, encompassing the skills, knowledge, and experience of founders and team members, is a fundamental driver of startup success. Human capital theory suggests that individuals with higher levels of education, expertise, and entrepreneurial experience are more likely to effectively manage startup challenges and seize growth opportunities (Becker, 1964). Studies indicate that experienced and skilled founding teams possess better problem-solving abilities, strategic foresight, and adaptability, which are crucial in the high-risk environment of startups (Colombo & Grilli, 2005). Research highlights that founders with diverse backgrounds and skills can bring a range of perspectives and competencies that enhance a startup's capacity to innovate, respond to market shifts, and build resilient business models (Unger et al., 2011). Additionally, startups led by teams with prior industry knowledge and management experience demonstrate higher survival rates and scalability, as they are better equipped to navigate complex market demands and make informed strategic decisions (Dimov & Shepherd, 2005).

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to innovate, respond to market shifts, and build resilient business models (Unger et al., 2011). Additionally, startups led by teams with prior industry knowledge and management experience demonstrate higher survival rates and scalability, as they are better equipped to navigate complex market demands and make informed strategic decisions (Dimov & Shepherd, 2005).

Financial capital is a critical determinant of startup success, as it provides the necessary resources for product development, operations, marketing, and scaling. According to capital structure theory, access to adequate financing influences a startup's ability to grow and compete effectively in the market (Modigliani & Miller, 1958). Studies show that well-funded startups are more likely to survive and thrive because they can invest in innovation, build competitive infrastructure, and respond to market demands (Baum & Silverman, 2004). Research highlights that financial capital also serves as a buffer against early-stage uncertainties, allowing startups to withstand initial challenges and adapt to shifting market conditions (Cooper, Gimeno-Gascon, & Woo, 1994). Startups with access to external financing, such as venture capital or angel investment, can benefit from not only the financial resources but also the strategic guidance and industry connections of their investors (Kaplan & Strömberg, 2004). In contrast, startups facing capital constraints often struggle with limited resources, which can impede product development and market entry, increasing the likelihood of failure.

Government policies play a crucial role in shaping the environment in which startups operate, influencing their chances of success. According to institutional theory, the regulatory, legal, and economic frameworks established by governments directly affect the ease with which entrepreneurs can start and grow businesses (North, 1990). Research has shown that favorable government policies, such as tax incentives, subsidies, and reduced administrative barriers, can significantly enhance the startup ecosystem by lowering the costs and risks associated with launching new ventures (Acs, Desai, & Klapper, 2008).

Government policies that support innovation, such as funding programs, grants, and public-private partnerships, further contribute to the development of high-growth startups. Studies by Thurik et al. (2008) emphasize that pro-entrepreneurial policies, such as tax breaks for research

and development or favorable intellectual property laws, can stimulate innovation and investment, which are key factors for startup success. Conversely, restrictive policies, such as excessive regulation, high taxes, or complex bureaucratic procedures, can hinder startup activity by creating obstacles to entry and increasing operational costs (Djankov et al., 2002). Additionally, government efforts to foster entrepreneurial culture—through initiatives like entrepreneurship education, innovation hubs, and incubators—are vital for creating a supportive ecosystem that encourages risk-taking and long-term business sustainability (Harrison, 2013). In conclusion, government policy is a significant determinant of startup success, as it shapes the regulatory, financial, and cultural landscape that either promotes or inhibits entrepreneurial activity.

Smith, J., Johnson, A., & Brown, R. ("Determinants of Success for Technology Startups: An Empirical Analysis", 2019) Summarize in this study explores the factors that contribute to the success of technology startups. It analyzes data from a sample of 200 technology startups and identifies key determinants such as founder experience, funding availability, market demand, and product innovation.

Lee, S., Kim, D., & Park, J. ("The Role of Networking in the Growth of Early-stage Startups: An Empirical Examination", 2020) Summarizes this study investigates the impact of networking on the growth of early-stage startups. It examines data from 150 startups and finds that networking activities, including industry conferences, mentorship programs, and collaboration with other startups, significantly contribute to their growth.

Garcia, M., Hernandez, L., & Rodriguez, P. "The Influence of Founder Characteristics on Startup Performance: A Longitudinal Analysis", 2018) examines the influence of founder characteristics on startup performance over a five-year period. It analyzes data from 300 startups and identifies key founder traits such as entrepreneurial experience, education level, and industry knowledge that significantly impact startup performance.

Chen, Y., Liu, Z., & Wang, H. ("The Importance of Business Model Innovation for Startup Success: An Empirical Study", 2021) investigated the importance of business model innovation for

startup success. It analyzes data from 250 startups and finds that startups that successfully innovate their business models experience higher levels of growth and profitability compared to those that do not.

Wang, L., Zhang, Y., & Li, X ("The Role of Human Capital in Startup Performance: Evidence from a Large-Scale Survey", 2017) examined the role of human capital in startup performance. It analyzes survey data from a sample of 500 startups and finds that startups with founders who possess higher levels of education, industry experience, and managerial skills tend to have better performance outcomes.

Brown, E., Smith, M., & Johnson, R. ("The Impact of Government Policies on Startup Ecosystems: A Cross-Country Analysis", 2022) explored the impact of government policies on startup ecosystems. It examines data from 20 countries and identifies key policy factors, such as access to funding, regulatory environment, and support for entrepreneurship, that significantly influence the growth and success of startup ecosystems.

Kim, S., Park, J., & Lee, H. ("The Role of Social Capital in Startup Financing: A Comparative Analysis", 2019) investigated the role of social capital in startup financing. It analyzes data from 100 startups and finds that startups with stronger social networks, including ties with investors, mentors, and industry professionals, are more likely to secure funding and have better access to resources.

Rodriguez, C., Garcia, A., & Hernandez, M. ("The Effect of Market Conditions on Startup Survival: A Longitudinal Study", 2020) examined the effect of market conditions on startup survival rates. It analyzes data from 500 startups and finds that startups operating in more favorable market conditions, such as high demand, low competition, and supportive industry trends, have higher chances of survival and long-term success.

John-Christopher Spender, (ESADE Business School, Barcelona, Spain) examined that startup companies represent a powerful engine of open innovation (OP) processes.
Keshav Kumar IIM, Udaipur, India presented the paper with the intent to explore the startup ecosystem of India and hence compare it with leading start-up ecosystems of the world like

USA, Israel, Singapore, and New Zealand in order find gaps in our system. It compared the initiatives taken by respective Government to boost up the ecosystem and role of incubators and accelerators.

Nagila N.J. Torres (universidade federal do Para), Brazil conducted a study on understanding the component and the relationship that exist among the elements of startup ecosystem enables decision making about how best to encourage this ecosystem. There is a global interest in encouraging startup companies because of the expected economic growth in the region where these startups are located.

Natalia Shipilova Digital strategist / concept developer contributed to the topic by her view that the industry experts from startup incubators and accelerators mostly see disruptive potential in the problem a startup tries to solve and, in a team, which Is capable of showing their road map of actions rather than promises.

When we came to our country, launching a startup in Ethiopia's fast-growing market presents tremendous opportunities. However, the regulatory environment can also pose challenges if not properly understood and addressed from the beginning. These are some of the key legal and compliance issues that startups need to factor in when setting up operations in Ethiopia. Ethiopia has a standard corporate tax rate of 30% on net profit. Startups must stay up to date on corporate income tax filing and payment obligations. Like most countries, Ethiopia provides IP protection through patents, trademarks, copyrights and recognizes convention like the Paris convention and TRIPS agreement. While Ethiopia does not have yet a standalone data protection law, startups must still take proactive measurement to securely collect, store, and process user data.

The declaration was made to address the major challenges entrepreneurs face in securing funding. Startups often struggle to obtain financing, mainly because they lack the collateral required by traditional financial institutions like banks. Additionally, Ethiopian investment regulations prevent startups from raising funds from foreign angel investors unless the investment exceeds USD 200,000, while most startups only need around USD 50,000. As a solution, the proposed proclamation allows businesses to explore various funding options,

including angel investment. It also mentions the introduction of innovation grants, which will support entrepreneurial projects. These funds will come from the government's budget, loans designated for this purpose, donations, endowments, grants, and gifts, among other sources. Some experts compare a startup to a baby, requiring constant care and guidance through its early stages to ensure its development is not derailed by various challenges. Entrepreneurs must not only understand the opportunities a startup presents but also the life cycle it must go through to succeed. These stages include:

1. **Seed stage** – This is the idea phase where the founding team is assembled, and product development begins. Initial validation may occur without a finished product, based on customer feedback.

2. **Early stage** – The product is introduced to the market, requiring investment, often through the first round of funding.

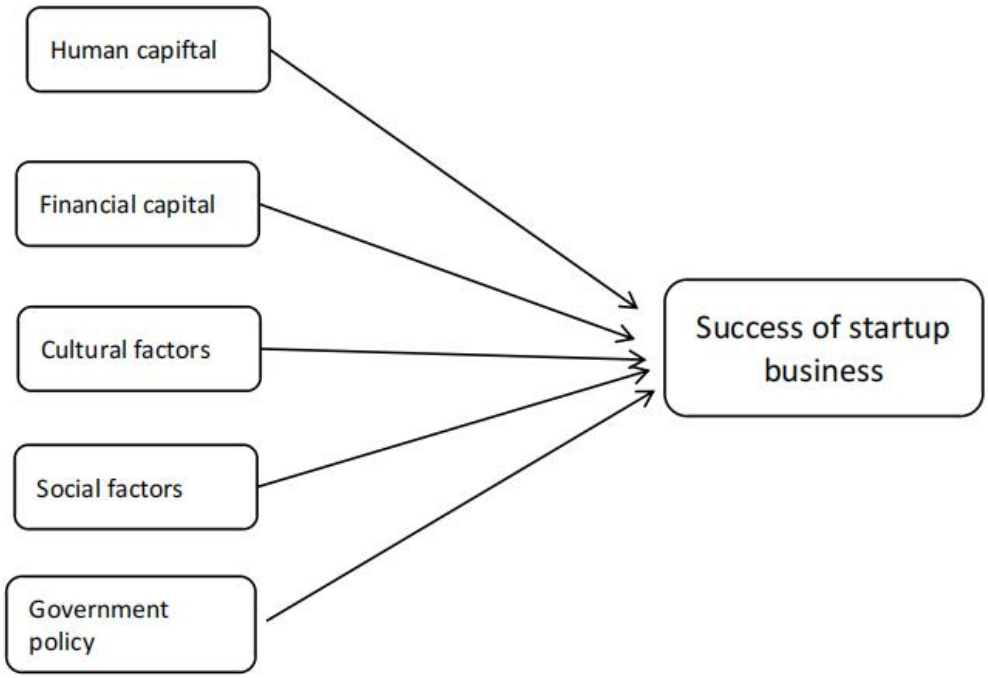
3. **Growth stage** – The startup, typically two to four years old, focuses on consolidating and optimizing its product, with continued funding rounds for marketing and product improvement.

4. **Expansion stage** – The business aims to scale and expand its market presence. At this point, angel investors usually step back, and venture capital or investment funds become the primary source of funding. However, many studies on startup development do not account for a final stage, often called the "exit strategy," where the business is sold or closed. Exit options include selling the startup to a strategic buyer who sees potential to enhance their own products or services, or listing shares publicly, although this is rare for startups. If the business is not performing well, liquidation may be a better option than prolonging its struggles.

2.8 Conceptual framework

The factors included limitations in the internal environment , additional forms of education of the owner, special skills and knowledge of employees, developing a strategic plan using planning techniques and limitations in the external environment . The influence of these factors to the firm success is very important but it is not worthy that the management has no

(little) control over them. Nevertheless, the factors must be closely monitored to ensure stringent measures are taken within the best time to either take advantage of the opportunities or combat the threats found in the external environment.The internal factors that influence the firm's success can be classified as management and entrepreneurial factors. To align the conceptual framework with the research objectives, business success is the dependent variable whereas individuals, environment, process and organizational factors are all independent variables. The relationship can be expressed and shown in the following figure.



Conceptual frame work adapted from factors affecting startup performance of small and medium-sized enterprises in danang city 2019,vol 7, No.3 .

The term "startup ecosystem" is commonly associated with innovation and entrepreneurship, though there is no universally agreed-upon definition. It is generally used to describe a geographic region with a high concentration of startups and entrepreneurs. Herrmann et al. (2015), Ács, Autio, and Szerb (2013), as well as Mason and Brown (2014), emphasize the crucial role that entrepreneurs play within this ecosystem. They propose the term "entrepreneurial ecosystem" as an alternative to "startup ecosystem" to reflect this focus. Those authors define that 'entrepreneurial ecosystem is a set of interconnected entrepreneurial actors, both

potential and existing, entrepreneurial organization such as firms, venture capitalists, business angels, banks, institutions, and entrepreneurial processes like the business birth rate, the number of high-growth firms, the level of “blockbuster entrepreneurship,” the number of serial entrepreneurs, the degree of sellout mentality among firms, and the level of entrepreneurial ambition. These elements formally and informally coalesce to connect, mediate, and govern the performance in the local entrepreneurial environment.’ Mitchell (2002) suggests that entrepreneurial startups are evaluated based on several factor groups: relevance, which includes internal and external customer satisfaction, and human resource management's role in strategic plan execution; **effectiveness**, which involves leadership style, strategic management, and the relationship between profit, labor growth, and costs; financial availability*, covering investments in infrastructure, technology, and human resources; as well as organizational culture, workforce size, and employee training. These factors are shaped by both internal and external business environments.

Isenberg (2011) offers a different perspective on the success factors in entrepreneurship ecosystems, identifying six key domains: policy and leadership, finance, culture, supportive factors like infrastructure and NGOs, human capital, and market networks. Tsujimoto et al. (2017) present a comprehensive model based on existing literature and introduce the idea of a "coherent ecosystem." This coherence is seen as central to understanding the evolution or potential decline of an ecosystem. This is why the researcher propose the following hypotheses:

For years, researchers have examined the factors influencing startup performance (Elfring & Hulsink, 2007; Gilbert, McDougall, & Audretsch, 2006). A key focus of these studies has been the role of human capital in the growth of businesses, especially small and medium-sized enterprises (SMEs) (Coleman, 2007). Ahmad and Hoffman (2008), drawing from resource-based theory, argue that human resources can provide startups with a competitive edge. Samad (2013) defines human capital as the ability to effectively manage a business and claims that firms utilizing strong management skills are more likely to succeed. In summary, human capital plays a significant role in enhancing startup performance. Likewise, Hisrich and Drnovsek (2002)

found that management capacity, which includes education, management experience, entrepreneurial background, and business knowledge, positively influences the performance of new SMEs. However, some studies, such as Appuhami (2007), find no clear evidence of a positive link between human capital and performance. Nonetheless, Subramony et al. (2018) and Schwarz (2017) both agree that human capital directly impacts the performance of businesses.

Hypothesis 1: Human capital is positively associated with startup success.

The financial capital for startup companies typically comes from either credit or internal company funds (Marshall & Samal, 2006). However, SMEs and businesses in the agricultural sector often face limited access to finance from traditional financial institutions. As a result, these enterprises rely heavily on debt and equity for their capital (Van Praag, 2003). Pretorius and Shaw (2004) categorize financial resources into internal and external. While SMEs primarily depend on internal funding, this is often insufficient for long-term survival and growth, especially in the face of intense global competition. Therefore, external financing becomes crucial for these businesses. Bollingtoft et al. (2003) and Wiklund and Shepherd (2005) argue that a lack of financial resources is one of the primary reasons SMEs fail. Overall, most research emphasizes the critical role that financial capital plays in enhancing startup performance, particularly for SMEs.

Hypothesis 2: Financial capital is positively associated with startup success.

According to Gudmundson, Tower, and Hartman (2003), culture has a profound impact on the success of a company or organization. Possession of positive cultural characteristics provides organizations with necessary ingredients. Culture has several elements that may serve to enhance or inhibit startup performance. Moreover, according to another recent research (Körner, 2015), there exists a strong positive correlation between participate management practices and cultural factors in small companies. Hurley and Hult (1998) emphasize the critical role of culture in improving the ability of a successful firm. Cultural factors can encourage or discourage a variety of behaviors and decisions, including those related to startup performance.

Hypothesis 3: Cultural factors is positively associated with startup success.

Although many studies focus on social capital, researchers generally agree on its benefits for startup success. Florin, Lubatkin, and Schulze (2003) suggest that high levels of social capital stem from a strong reputation, professional experience, and direct personal relationships. In addition to these advantages, social capital also helps develop other resources, which contributes to business survival (Brüderl & Preisendorfer, 1998). Compared to larger companies, SMEs are more likely to build social capital because they have closer connections to their customers, allowing them to gain faster and more direct knowledge (Wong & Aspinwall, 2004). Okten and Osili (2004) provide empirical evidence of social capital's positive impact on SME development, especially in forming relationships with other businesses. Similarly, Hayer and Ibeh (2006) argue that social capital is a key factor in helping SMEs expand internationally. Głodowska, Wach, and Pera (2016) find that certain "pull factors" positively influence the internationalization of businesses, with production companies being the primary beneficiaries. Additionally, Polish born globals benefit from adapting to their environments during this internationalization process.

Hypothesis 4: Social factors is positively associated with startup success.

Researchers have established that entrepreneurship plays a critical role in job creation and economic development, especially for rural and urban populations without formal employment (Ihugba, Odii, & Njoku, 2014). Kumar and Liu (2005) demonstrate that the entrepreneurial sector's contribution to employment and GDP is on the rise. As a result, governments should work to reduce barriers to entrepreneurship. Kumar and Liu (2005) also argue that government policies can drive entrepreneurial development by providing a business-friendly environment that encourages entrepreneurship. In this sense, government policy refers to any actions aimed at regulating and improving conditions for SMEs, including support, implementation, and funding. Policies that foster a favorable entrepreneurial environment are essential. Additionally, governments need to enact user-friendly policies for entrepreneurs. Pals (2006) notes that to achieve the goals of often unclear guidelines, governments must create supportive policies for entrepreneurship, regardless of the administration in power. In the past, many governments,

especially in developing countries, have made significant efforts to implement policies aimed at boosting startup performance (Oni & Daniya, 2012). Maciejewski and Wach (2019) highlight the growing number of "born global" companies in Poland—businesses that are international from their inception—though their activities are primarily within the European Union.

Hypothesis 5: Government policy is positively associated with startup success.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the general methodologies applied in this research. It consists of the research method and design, population, sample size, sampling technique, data collection instruments, data source and type, data collection procedures, method of data analysis and ethical consideration.

3.2 Target population

A target population is a certain group of population that share similar characteristics and is identified as the intended audience for a product, advertising or research. It is a portion of the whole universe of people selected as the objective audience. This term refers to a group of people that possess certain attributes that can be classified properly to separate them from the entire population. The purpose of this technique is to understand and evaluate their preferences and behaviour in order to market a given product or service or to study a given element that appears among them like behaviour patterns.

We randomly choose five (2) of more than 300 startups found in our city, Based on number of employees. In light of this, the researcher has chosen Gebeya which was founded in 2021 and has 187 employees, beU delivery which was founded in 2021 and have 300 employees.

Hence, Target population of the study is owners, managers and employees of technology based start-up business. The primary reason for focusing on these managerial workers is that they are typically responsible for managing key strategic issues and performance metrics within the organization.

Table 3.1 distribution of employees

	Stratum	Number of employees
1	Gebeya	187
2	beU delivery	300
Total		**487**

Source: Own filled survey, (2024)

3.3 Sampling method

In this paper the researcher used one of probability sampling technique. Since, it is timely and financially infeasible to engage all the population this study took a sample out of the total population by using random sampling method. A simple random sample consists of a subset of individuals chosen randomly from a larger population. In this approach, every member of the population has an equal opportunity to be chosen. As a result, startups are selected for the study using the stratified random sampling method. This approach categorizes them into four groups, or strata, based on their generation. After determining the overall sample size, the next step is to decide how many respondents will be chosen from each startup. A proportionate stratified random sampling technique is employed for this purpose, ensuring that the number of samples taken from each stratum reflects the size of that stratum's population.

3.4 Sample size determination

It takes a lot of time to gather data from each of the total 666 Arif pay, Gebeya, beU delivery, Dodai manufacturing plc and Ride Ethiopia employees in Addis Ababa. When the population is larger, it is best to use appropriate techniques to create samples that accurately reflect the entire population (Kothari, 2004).

In order to select the optimal and representative number of respondents to be included in the sample, the current study applies the formula developed by Yemane (1967).

According to yemane (1967), the formula is

$$= \frac{N}{1 + \quad ^2}$$

Where n=sample size,

N=population size,

e=the error of sampling (5%).

$$n = \frac{487}{1+ 487(0.05)^2} = 219$$

Consequently, questionnaires were distributed to 219 out of the 487 employees. This distribution was based on a proportionate calculation of the sample

$$= \frac{219.61\times100\%}{487} = 45.09\ \%$$

In order to get a proportional sample from each stratum the researcher employed (Kothari, 2004) proportional allocation as follows:

$$_a = \frac{}{b}$$

Where:

N_a = denotes a strata's proportional sample.

n = refers to sample size

N_b = refers to the total population of each stratum.

N = is the number of people in the target group.

Table 3.2 Distribution of Samples

S.no	Stratum	Total number	No. of sample
1	Gebeya	187	$\frac{219\times187}{487} = 84$
2	beU delivery	300	$\frac{219\times300}{487} = 135$
		487	**219**

Sources: Own filled Survey, (2024)

According to table 3.2, the employee respondent sample size in Gebeya 187, beU delivery 300, totally 219 respondents was engaged in the study.

3.4 Data type and Source

Data can be classified into two categories: primary and secondary. Primary data can be collected through various methods, including observations, experiments, surveys, and interviews, depending on the research design or approach used (Creswell, 2009). In contrast, secondary data consists of information that has already been collected and analyzed by someone else (Creswell, 2009). For this study, primary data was obtained from customers using standardized questionnaires. Additionally, secondary sources such as books, journals, papers, and other materials were examined to enhance the research.

3.3 Data collection

Data was collected from the targeted respondents using a self-administered structured questionnaire. The content of the questionnaires was adapted from prior research conducted by various scholars, with minor modifications made to ensure the validity of the questionnaires. This study utilized a quantitative research approach, employing a structured questionnaire that included questions related to both dependent and independent variables. The constructs for these variables were derived from the factors influencing the performance of startups in small and medium-sized enterprises in Da Nang City, as reported in the 2019 volume 7, issue 3.

The questionnaire contains 6 question for human capital, 6 questions for financial capital , 6 questions for cultural factors, 6 questions for social factors and 6 questions for government policy. The five point likehert scale measurement was used to measure independent variable in the form of 1 for ‘strongly disagree’, 2 for ‘disagree’, 3 for ‘neutral’, 4 for ‘agree’ and 5 for ‘strongly agree’. while the measure of organizational success, respondents will respond 1 for very low, 2 for low, 3 for average , 4 for high and 5 for very high.

3.4 Data analysis

For data analysis, the study employed both descriptive and explanatory analyses, utilizing multiple linear regression and correlation to examine the impact and relationships between variables with the aid of the Statistical Package for the Social Sciences (SPSS v. 24). Descriptive statistics were primarily used to organize and summarize general information about the respondents. To ensure the reliability of the items, the inferential Cronbach's Alpha test was conducted. Three types of statistical analyses were applied in the study: descriptive statistics, correlation, and multiple regression analysis. Descriptive analysis was used to summarize the demographic characteristics of the respondents and to assess the owners' and managers' perceptions of strategic orientation based on their responses. This was analyzed by comparing the mean and standard deviation scores of each variable. According to Ziadatol & Bagheri (2009), mean scores below 3.39 are considered low, scores from 3.40 to 3.79 are considered moderate, and scores above 3.8 are deemed high, as indicated below:

Table 1. Comparison bases of mean score of five point likert scale instrument

S/n	Mean score	Description
	≤3.39	Low
	3.4-3.79	Moderate
	≥3.8	High

Source: Zaidatol & Bagheri (2009)

Multiple linear regression was employed to examine the relationship between the explanatory variables and the dependent variable, while Pearson's correlation was used to assess the relationships among the predictor variables. Additionally, normality, multicollinearity, and homoscedasticity were verified prior to performing the regression analysis. The data from primary sources for this research was analyzed using the Statistical Package for Social Sciences (SPSS) version 27. Descriptive statistics were utilized to summarize the existing data at the time of the study through means, frequencies, and percentages. Inferential statistics, such as correlation, were employed to determine the positive or negative relationships between strategic orientation variables—namely market, entrepreneurial, technology, and learning orientations—and organizational performance. Multiple regression analysis was specifically used due to the presence of multiple independent variables in the conceptual model, ensuring the strength and significance of these independent variables on the dependent variable, startup success. Additionally, hierarchical regression was applied to evaluate the proposed hypotheses (Cohen & Aiken, 1983) since the research involved both independent variables and moderators. The models were fitted to investigate how the dimensions of strategic orientation and environmental turbulence interacted to affect the performance of banks. To address multicollinearity issues in the interaction effect analysis, a mean centering procedure was applied to both the moderator and independent variables prior to conducting the interaction analyses. To validate the measurement scale and construct validity, factor analysis was used for the measurement model. Variables that passed this analysis were subsequently used to

examine the relationships between endogenous and exogenous variables through structural model analysis (Hair et al., 2006).

Reliability Test

According to Sekaran and Bougie (2016), measuring reliability indicates the consistency and stability of the instruments used to assess a concept, which helps in evaluating the quality of the measurements. Reliability scores below 0.60 are considered poor, those between 0.70 and 0.80 are deemed acceptable, and scores above 0.80 are classified as good. Using SPSS version 27.0 for the reliability test, the researcher calculated the Cronbach's alpha values for the components of each construct, selecting the items based on the results of the factor analysis.

Table 3.4: Reliability test

Variables	Number of items	Cronbach's Alpha
Human capital	5	0.802
Financial capital	6	0.736
Cultural factor	6	0. 827
Social factor	6	0.734
Government policy	5	0.700
Success of startup business	6	0.747

Source: SPSS output 2024

As indicated in Table 3.4, the Cronbach's alpha coefficients for Human capital (0.802), Cultural factor (0.827) fall above 0.80, showing good reliability of the variables of measurement. Similarly, financial capital (0.736), Success of startup business (0.747), Government policy (0.700) and Social factor (0.734) fall in the acceptable range above 0.70, indicating acceptable

reliability of the variables of measurement. Thus, the overall reliability of the measures used in this study can be considered acceptable.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1. Introduction

The data presentation, analysis, and interpretation of the results are included in this chapter. The demographic profiles of the respondents are described before the study begins. The research methodology determined a sample size of 219 from the questionnaires distributed to employees of selected startup business, Addis Ababa. Of these, 202 were accepted as valid, while 17 were rejected due to inadequate data quality. The remaining 202 questionnaires had an excellent response rate of 91%. The data collected were entered and analyzed using SPSS software version 27.

4.2. Descriptive Statistics of Demographic Profile of Respondents

In this section, the selected demographic characteristics of the study respondents such as gender, age, educational level, work experience, and current position are presented. Descriptive statistics using frequencies were used to analyze the demographic characteristics of the respondents, and hence the results of the analysis are described in detail below.

		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	male	114	56.4	56.4	56.4
	female	88	43.6	43.6	100.0
	Total	202	100.0	100.0	
Age of respondent	20-29	75	37.1	37.1	37.1
	30-39	90	44.6	44.6	81.7
	40-49	34	16.8	16.8	98.5
	50 years old and above	3	1.5	1.5	100.0
	Total	202	100.0	100.0	
Educational level	Degree	141	69.8	69.8	69.8
	Masters	61	30.2	30.2	100.0

	Total	202	100.0	100.0	
Work Experience	Less than 1 year	14	6.9	6.9	6.9
	2- 5 years	82	40.6	40.6	47.5
	6- 10 years	71	35.1	35.1	82.7
	11- 15 years	22	10.9	10.9	93.6
	Above 15 years	13	6.4	6.4	100.0
	Total	202	100.0	100.0	
Current Position	Owner	14	6.9	6.9	6.9
	Manager	188	93.1	93.1	100.0
	Total	202	100.0	100.0	

From the total respondents of the survey, 56.4% were male and 43.6% were female. This indicates a good representation of both genders, ensuring the study did not suffer from gender bias. Regarding age groups, 37.1% of the respondents were aged 20-29, 44.6% were aged 30-39, 16.8% were aged 40-49, and 1.5% were 50 years and above. This distribution shows a diverse age range among respondents, minimizing age group bias. In terms of educational level, 69.8% of the respondents held a degree, while 30.2% had a master's degree. None of the respondents reported having an educational level below a diploma, indicating a well-educated sample. Work experience varied among respondents, with 6.9% having less than 1 year, 40.6% having 2-5 years, 35.1% having 6-10 years, 10.9% having 11-15 years, and 6.4% having over 15 years of experience. This distribution reflects a range of experience levels among participants. Regarding current positions, 6.9% were owners, 93.1% were managers. This distribution indicates a hierarchical representation within the sample.

Overall, the demographic characteristics of the respondents demonstrate diversity across gender, age, educational level, work experience, and current position, ensuring a comprehensive representation in the study.

4.3 Descriptive Statistics of Study variable

The descriptive statistics of the variables are presented here after; revealing the mean, standard deviation, maximum and minimum of the attributes in each predictor variable. To determine the percentage of respondents that strongly agreed or disagreed with the variables'

items, the average score on a 5-point Likert scale was calculated, with 5 representing strong agreement and 1 representing strong disagreement for each variable.

Pihie & Akmaliah (2009) states that, as demonstrated by comparative bases of mean score of five-point Likert scale instrument, mean score less than 3.39 is regarded low, mean score between 3.40 - 3.79 is considered moderate, and mean score more than 3.8 is considered high.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
HC1, The organization provides adequate training and development opportunities to enhance employees skills and knowledge	202	1.00	5.00	4.0842	.80906
HC2, The company's leadership effectively communicates the vision and goals of the organization	202	1.00	5.00	4.0743	.84608
HC3, The organization's talent acquisition strategies effectively attract high-quality candidate	202	1.00	5.00	4.0149	.92762
HC4, I am satisfied with the opportunities for continuous learning and development provided by the organization	202	1.00	5.00	4.1287	.76832
HC5, The company's management effectively supports employee growth and career advancement	202	1.00	5.00	4.0644	.87578
Valid N (listwise)	202				

Overall, the descriptive statistics indicate a generally positive perception of the organization's human resources practices.

HC1 (Training & Development): The mean score of 4.08 suggests that employees generally feel the organization provides adequate training and development opportunities. The standard deviation of 0.81 indicates some variation in responses, suggesting that while most are satisfied, there are some who feel otherwise.

HC2 (Leadership Communication): A similar pattern is seen here, with a mean of 4.07 and a standard deviation of 0.85. This suggests that leadership is generally effective in communicating the organization's vision and goals, but there's still room for improvement.

HC3 (Talent Acquisition): The mean of 4.01 indicates that the organization's talent acquisition strategies are seen as effective in attracting high-quality candidates. However, the standard deviation of 0.93 suggests a wider range of opinions on this topic.

HC4 (Continuous Learning): The mean of 4.13 suggests a high level of satisfaction with the opportunities for continuous learning and development. The standard deviation of 0.77 indicates less variation in responses compared to other variables.

HC5 (Management Support): The mean of 4.06 suggests that management is generally supportive of employee growth and career advancement. The standard deviation of 0.88 indicates some variation in opinions.

In summary, the organization seems to be doing well in terms of providing training, development, and leadership communication. However, there are areas where the organization could improve, particularly in terms of talent acquisition and ensuring consistent experiences for employees.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FC1, The organization effectively manages its financial resources to support long-term sustainability and growth	202	1.00	5.00	3.9307	.82568
FC2, Growth in Net income (NI)	202	2.00	5.00	4.0297	.84589
FC3, The organization’s investment decision are aligned with its strategic objectives and create value for owners	202	1.00	5.00	3.9703	.88611
FC4, The company’s access to capital and financing options supports its growth and expansion initiatives	202	1.00	5.00	3.7871	.94064
FC5, Growth in Return on Equity (ROE)	202	1.00	5.00	3.6733	1.02805
FC6, Growth in Return on investment (ROI)	202	1.00	5.00	3.7030	.95724
Valid N (listwise)	202				

Overall, the descriptive statistics indicate a generally positive perception of the organization's financial management.

FC1 (Financial Resource Management): The mean score of 3.93 suggests that employees generally believe the organization effectively manages its financial resources. The standard deviation of 0.83 indicates some variation in responses.

FC2 (Net Income Growth): A mean of 4.03 suggests that employees perceive the organization's net income growth as positive. The standard deviation of 0.85 indicates some variation in responses.

FC3 (Investment Decisions): The mean of 3.97 indicates that employees generally believe the organization's investment decisions are aligned with strategic objectives and create value. The standard deviation of 0.89 suggests some variation in responses.

FC4 (Capital Access): The mean of 3.79 suggests that employees generally believe the organization has adequate access to capital and financing options. The standard deviation of 0.94 indicates significant variation in responses.

FC5 (ROE Growth): The mean of 3.67 suggests that employees perceive the organization's growth in return on equity as moderate. The standard deviation of 1.03 indicates significant variation in responses.

FC6 (ROI Growth): The mean of 3.70 suggests that employees perceive the organization's growth in return on investment as moderate. The standard deviation of 0.96 indicates significant variation in responses.

In summary, the organization seems to be doing well in terms of managing financial resources, making strategic investments, and achieving growth in key financial metrics. However, there are areas where the organization could improve, particularly in terms of capital access and ensuring consistent experiences for employees regarding the organization's financial performance.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation

CF1, The organization values diversity and promotes an inclusive cultural work environment	202	2.00	5.00	3.9950	.72960
CF2, The company's leadership fosters a respectful and collaborative work environment	202	1.00	5.00	4.1634	.84526
CF3, The company's values and ethics are consistently demonstrated by employees at all levels	202	1.00	5.00	3.9059	.80796
CF4, The company's culture supports work-life balance and employee well-being	202	1.00	5.00	3.8911	.85112
CF5, The company's cultural norms and practices contribute to high employee morale engagement	202	1.00	5.00	3.9752	.81307
CF6, I feel that the company's culture aligns with my personal values and beliefs	202	1.00	5.00	3.9010	.85815
Valid N (listwise)	202				

Overall, the descriptive statistics indicate a generally positive perception of the organization's culture.

CF1 (Diversity & Inclusion): The mean score of 3.99 suggests that employees generally perceive the organization as valuing diversity and promoting an inclusive culture. The standard deviation of 0.73 indicates some variation in responses.

CF2 (Leadership Fostering Culture): A mean of 4.16 suggests that employees generally believe the company's leadership fosters a respectful and collaborative work environment. The standard deviation of 0.85 indicates some variation in responses.

CF3 (Values & Ethics): The mean of 3.91 indicates that employees generally perceive the organization's values and ethics as being consistently demonstrated. The standard deviation of 0.81 indicates some variation in responses.

CF4 (Work-Life Balance): A mean of 3.89 suggests that employees generally believe the company's culture supports work-life balance and well-being. The standard deviation of 0.85 indicates some variation in responses.

CF5 (Culture & Morale): The mean of 3.98 suggests that employees generally believe the company's culture contributes to high employee morale and engagement. The standard deviation of 0.81 indicates some variation in responses.

CF6 (Personal Values Alignment): A mean of 3.90 indicates that employees generally feel that the company's culture aligns with their personal values and beliefs. The standard deviation of 0.86 indicates some variation in responses.

In summary, the organization seems to be doing well in terms of creating a positive and inclusive culture. However, there are areas where the organization could improve, particularly in terms of ensuring consistent experiences for employees regarding the organization's values and ethics, work-life balance, and cultural alignment with personal values.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SF1, Social factors promote economic growth and development for the work environment	202	1.00	5.00	3.8762	.77878
SF2, Social activities and events organized by the company contribute to a positive environment	202	1.00	5.00	4.0347	.79412
SF3, The organization fosters a culture of respect and empathy towards others	202	1.00	5.00	3.8317	.84723
SF4, The company actively encourages employees to build strong professional relationships	202	2.00	5.00	3.9010	.78550
SF5, The company encourages collaboration and teamwork among employees	202	2.00	5.00	4.0099	.73295
SF6, I am satisfied with the level of social interaction engagement with my employees.	202	1.00	5.00	4.0941	.71659
Valid N (listwise)	202				

Overall, the descriptive statistics indicate a generally positive perception of the organization's social factors.

SF1 (Social Factors & Economic Growth): The mean score of 3.88 suggests that employees generally believe social factors promote economic growth and development. The standard deviation of 0.78 indicates some variation in responses.

SF2 (Social Activities): A mean of 4.03 suggests that employees generally perceive the company's social activities and events as contributing to a positive environment. The standard deviation of 0.79 indicates some variation in responses.

SF3 (Respect & Empathy): The mean of 3.83 indicates that employees generally believe the organization fosters a culture of respect and empathy. The standard deviation of 0.85 indicates significant variation in responses.

SF4 (Professional Relationships): A mean of 3.90 suggests that employees generally believe the company encourages building strong professional relationships. The standard deviation of 0.79 indicates some variation in responses.

SF5 (Collaboration & Teamwork): The mean of 4.01 suggests that employees generally believe the company encourages collaboration and teamwork. The standard deviation of 0.73 indicates some variation in responses.

SF6 (Social Interaction): A mean of 4.09 suggests that employees are generally satisfied with the level of social interaction and engagement. The standard deviation of 0.72 indicates some variation in responses.

In summary, the organization seems to be doing well in terms of creating a positive social environment and fostering a culture of collaboration and respect. However, there are areas where the organization could improve, particularly in terms of ensuring consistent experiences for employees regarding the organization's commitment to respect and empathy.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GP1, Government policies promote economic growth and business development	202	1.00	5.00	3.6584	.89618
GP2, Government policies effectively promote business safety and security	202	1.00	5.00	3.9158	.80288
GP3, Government policies support the growth and development of small businesses	202	1.00	5.00	3.8020	.86410

GP4, Government policies effectively tackle investment issues, such as subsidy	202	2.00	5.00	3.9208	.82478
GP5, I'm satisfied with the transparency and accountability of government policies	202	2.00	5.00	3.9752	.72919
Valid N (listwise)	202				

Overall, the descriptive statistics indicate a generally positive perception of government policies.

GP1 (Economic Growth & Development): The mean score of 3.66 suggests a moderate perception of government policies promoting economic growth and business development. The standard deviation of 0.90 indicates significant variation in responses.

GP2 (Business Safety & Security): A mean of 3.92 suggests a positive perception of government policies promoting business safety and security. The standard deviation of 0.80 indicates some variation in responses.

GP3 (Small Business Support): The mean of 3.80 indicates a positive perception of government policies supporting small businesses. The standard deviation of 0.86 indicates significant variation in responses.

GP4 (Investment Issues): A mean of 3.92 suggests a positive perception of government policies addressing investment issues. The standard deviation of 0.82 indicates some variation in responses.

GP5 (Transparency & Accountability): The mean of 3.98 suggests a positive perception of government policies in terms of transparency and accountability. The standard deviation of 0.73 indicates some variation in responses.

In summary, government policies are generally perceived positively, especially in terms of promoting business safety, supporting small businesses, and addressing investment issues. However, there's room for improvement in policies promoting economic growth and development, and there's significant variation in perceptions across all variables.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SSB1, Our startup has achieved its revenue goals	202	2.00	5.00	3.8168	.95215
SSB2, Our brand is well-recognized in our industry	202	1.00	5.00	3.8614	.85262
SSB3, Our customers are generally satisfied with our products/services	202	2.00	5.00	3.8812	.85562
SSB4, Our startup has experienced consistent growth since launch	202	1.00	5.00	4.1040	.85465
SSB5, Our operational processes are efficient and effective	202	1.00	5.00	4.0297	.72559
SSB6, We are on track to achieve our long-term business goals	202	1.00	5.00	3.8119	.91110
Valid N (listwise)	202				

Overall, the descriptive statistics indicate a generally positive perception of the startup's success.

SSB1 (Revenue Goals): The mean score of 3.82 suggests that the startup has been moderately successful in achieving its revenue goals. The standard deviation of 0.95 indicates significant variation in responses.

SSB2 (Brand Recognition): A mean of 3.86 suggests that the startup's brand is moderately well-recognized in the industry. The standard deviation of 0.85 indicates some variation in responses.

SSB3 (Customer Satisfaction): The mean of 3.88 indicates that customers are generally satisfied with the startup's products or services. The standard deviation of 0.86 indicates some variation in responses.

SSB4 (Growth): A mean of 4.10 suggests that the startup has experienced consistent growth since launch. The standard deviation of 0.85 indicates some variation in responses.

SSB5 (Operational Efficiency): The mean of 4.03 suggests that the startup's operational processes are generally efficient and effective. The standard deviation of 0.73 indicates less variation in responses.

SSB6 (Long-Term Goals): A mean of 3.81 suggests that the startup is moderately on track to achieve its long-term business goals. The standard deviation of 0.91 indicates significant variation in responses.

In summary, the startup is performing well in terms of growth, operational efficiency, and customer satisfaction. However, there's room for improvement in achieving revenue goals and building stronger brand recognition.

4.5 Inferential Analysis

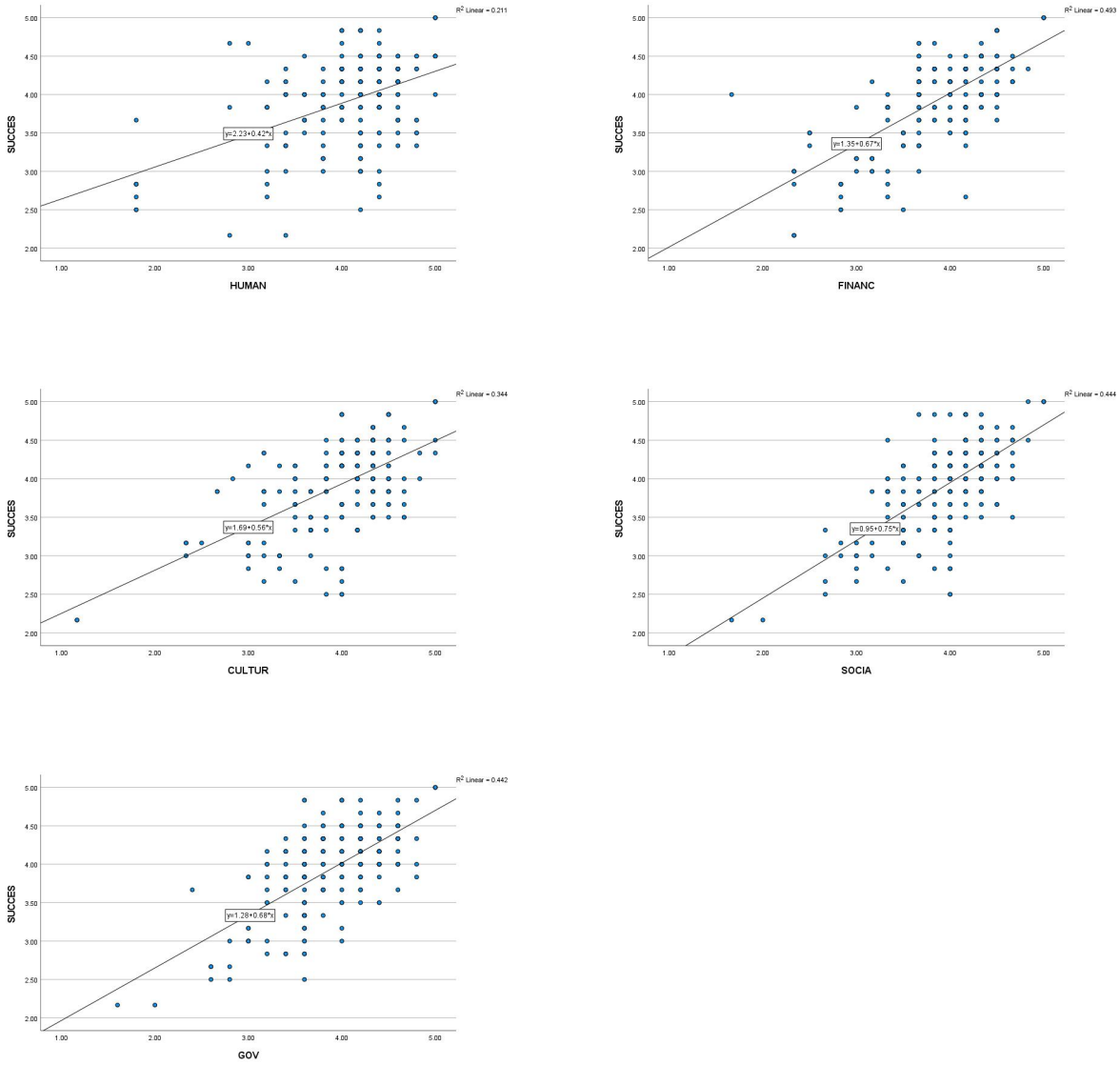
4.5.1 Diagnostic Test of Assumptions of Classical Linear Regression Model.

When running a Regression, there are several assumptions that need to be checked and ensure the data meet for the analysis to be reliable and valid. Accordingly, five assumptions tests of CLRM (I.e. linearity, homoscedasticity, autocorrelation, Multicollinearity, and normality) were conducted and discussed below.

4.5.1.1 Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. The mean values of the outcome variable for each increment of the predictor(s) lie along a straight line. If the model is a non-linear relationship using a linear model then this obviously limits the generalizability of the findings (Field, 2009). Using SPSS software, scatter plots of the regression residuals for each model were created to observe if there was a linear relationship between the dependent and independent variables.

Figure 4.1: Scatter plot of residuals



By visually looking it could be concluded that the relationship between each independent and the dependent variable is found to be linear as shown in figure 4.1 above.

4.5.1.2 Multicolliniarity

When there is a correlation between two independent variables, it is known as multicollinearity. Assessing the associations among the independent variables is a method for discovering

multicolliniarity. High multicolliniarity increases the possibility that a predictor of a favourable result may be judged non-significant and removed from the model (Sekaran and Bougie, 2016).

Both tolerance and variance inflation factor (VIF) measures were used to assess multicollinearity. According to Sekaran and Bougie (2016), a VIF value of more than 10 should be taken seriously. When testing for multicollinearity, another crucial factor to take into account is the tolerance statistic, which is the reciprocal of the VIF. The researcher used a typical cut off value of 0.10 for tolerance and a value of less than 10 for VIF, as suggested by Sekaran and Bougie (2016), to determine if the study indicates multicollinearity.

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	HUMAN	.798	1.253
	FINANC	.476	2.099
	CULTUR	.503	1.987
	SOCIA	.356	2.807
	GOV	.388	2.574

a. Dependent Variable: SUCCES

Source: SPSS output 2024

The information in the (Table 4.3) above also allows us to check for multicollinearity.We have VIF < 10 and Tolerance > 0.1 for all variables in our multiple linear regression models. Therefore, it can be said that there is no multicollinearity issue with the explanatory variables because all of the study's variables have low correlation power.

4.5.1.3 Autocorrelation Test

According to Field (2013) the idea that errors are independent of one another, suggesting that subjects are responding independently, is known as autocorrelation or independence of errors. The residuals are subjected to a serial correlation test using the Durbin-Watson statistic. The test statistic ranges from 0 to four a value of two indicate that there is no autocorrelation. However, a value nearing zero, or below two, denotes a positive autocorrelation, and a value

nearing four, or above two, denotes a negative autocorrelation. Values more than 3 or less than 1 should be taken seriously.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.804[a]	.646	.637	.34466	1.666

Source: SPSS output 2024

From our test, the value of Durbin Watson is about 1.666. As a result, according to table 4.4 below, it falls between 0<1.666<4. There is no violation of autocorrelation when the Durbin Watson value is near to 2, indicating a possible presence of positive autocorrelation.

4.5.1.4 Normality test

4.5.1.4.1 Skewness& Kurtosis

The degree to which the sample data follows a normal distribution of error is the primary objective of normality. In regression analysis, normal distributions of the variables are assumed. Kline (2011) defines an extreme skewness level as having an absolute value larger than 3, and an excessive kurtosis level as having an absolute value greater than 8. Before conducting any inferential statistical analysis, an issue should be addressed when the permissible levels of skewness (3) and kurtosis (8) are not met.

Table 4.5: Descriptive Statistics that shows Skewness& Kurtosis

Descriptive Statistics

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
HUMAN	202	-1.673	.171	3.826	.341
FINANC	202	-.834	.171	.694	.341
CULTUR	202	-1.511	.171	4.141	.341

SOCIA	202	-1.120	.171	2.530	.341
GOV	202	-.601	.171	1.123	.341
SUCCES	202	-.663	.171	.287	.341
Valid N (listwise)	202				

The result in the above table showed that skewness and kurtosis for all variables lie on the level and the data appeared to be normally related to each of the indicator variables used in the study.

This assumption can also be verified by examining the model's P-P plot and the standardized residuals histogram. The residuals are distributed closer to normality the closer the dots are to the diagonal line. This implies that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006). Therefore, the researcher also uses a P-P plot and histogram to verify for normality in order to demonstrate the validity of these assumptions.

As can be observed in the below figure 4.2 it indicates that the requirement is satisfied and there is no major deviation from normality.

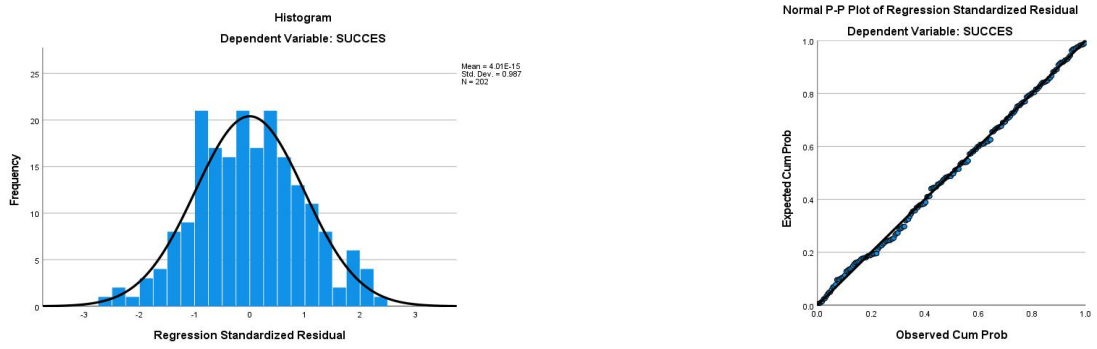


Figure 4.2: Normality Test with P-P plot and histogram

4.5.1.5 Homoscedasticity Test

The assumption of homoscedasticity refers to the equal variance of errors across all levels of the independent variables. This indicates that there is a consistent distribution of errors among

the variables. By visually examining a plot of the standardized residuals by the regression standardized predicted value, homoscedasticity can be verified. According to Osborne and Waters (2002), fan and butterfly forms are typical patterns of violation; heteroscedasticity is indicated when the scatter is not even. In light of this, the researcher used the SPSS software to construct a scatter plot of standardized residuals versus standardized expected values.

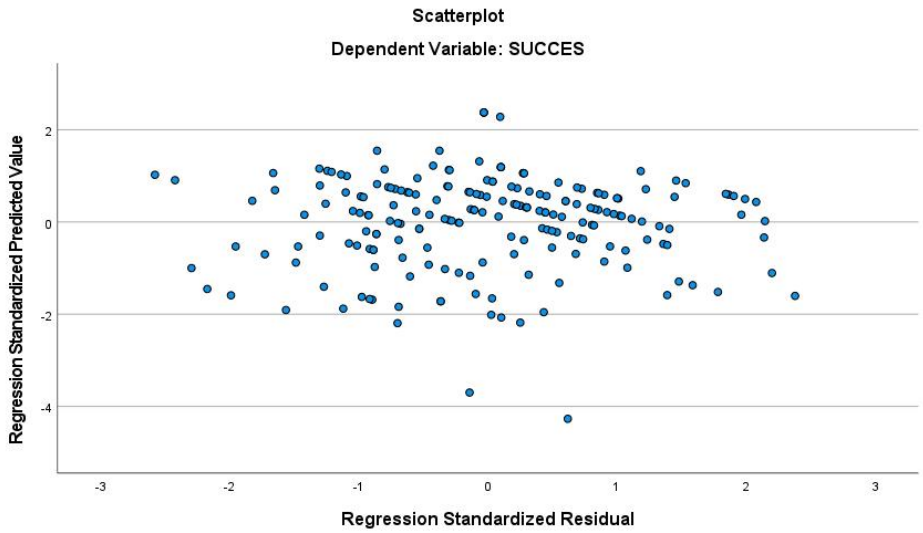


Figure 4.3: Homoscedasticity Test for the multiple regression analysis

Source: SPSS output 2024

Figure 4.3 illustrates the uniformly distributed standardized residuals from this study, which leads to the conclusion that heteroscedasticity is not a significant issue for this set of data.

4.5.2 Pearson Correlation Analysis

A value between -1 and +1 inclusive is obtained from the Pearson correlation analysis, which measures the correlation (linear dependence) between two variables. As an indicator of the degree of linear dependence between two variables, it is frequently used in the sciences (Field, 2009). The strength of association (r) value in a Pearson correlation study is crucial in assessing the degree of links between variables. Field (2009) states that the correlation coefficient is a widely used indicator of effect size, values of 0.10 and 0.29 represent a weak correlation, , 0.30

and 0.49 is a medium correlation and 0.50 and 1.0 is a strong correlation. A positive correlation indicates a direct relationship, where both variables increase or decrease together. A negative correlation indicates an inverse relationship, where one variable increases while the other decreases.

Correlations

		HUMAN	FINANC	CULTUR	SOCIA	GOV	SUCCES
HUMAN	Pearson Correlation	1	.380**	.235**	.244**	.386**	.459**
	Sig. (2-tailed)		.000	.001	.000	.000	.000
	N	202	202	202	202	202	202
FINANC	Pearson Correlation	.380**	1	.633**	.594**	.583**	.702**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	202	202	202	202	202	202
CULTUR	Pearson Correlation	.235**	.633**	1	.624**	.514**	.586**
	Sig. (2-tailed)	.001	.000		.000	.000	.000
	N	202	202	202	202	202	202
SOCIA	Pearson Correlation	.244**	.594**	.624**	1	.744**	.667**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	202	202	202	202	202	202
GOV	Pearson Correlation	.386**	.583**	.514**	.744**	1	.665**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	202	202	202	202	202	202
SUCCES	Pearson Correlation	.459**	.702**	.586**	.667**	.665**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	202	202	202	202	202	202

**. Correlation is significant at the 0.01 level (2-tailed).

The table provides Pearson correlation coefficients and their significance levels for the relationships between six variables: Human capital (HUMAN), financial capital (FINANC), Cultural factor (CULTU), Social factor (SOCIA), Government policy (GOVER), and success of startup business (SUCCES). Here's a detailed interpretation of how each variable correlates with success of startup business (SUCCES):

The lowest correlation is found between Human capital and success of startup business. The results of the Pearson correlation analysis revealed that there was a positive correlation between Human capital and success of startup business ($r = 0.459$, $p < 0.01$) which implies a weak relationship between the aforementioned variables.

Financial capital is positively correlated to success of startup business with a Pearson correlation coefficient of $r = .0.702$ and Sig. (2-tailed) is 0.000 which is $p < 0.01$ so that, there is a high relationship between the two variables. Thus, the analysis indicated that financial capital was the most correlated variable with the dependant variable success of startup business.

Success of startup business is positively correlated to Cultural factor with a Pearson correlation coefficient of $r = 0.586$ and Sig (2-tailed) is 0.000 which is $p < 0.01$. Therefore there is a high relationship between the two variables.

Social factor is positively correlated to success of startup business with a Pearson correlation coefficient of $r = 0.667$ and Sig. (2-tailed) is 0.000 which is $p < 0.01$ so that, there is a high relationship between the two variables.

Government policy is positively correlated to success of startup business with a Pearson correlation coefficient of $r = 0.665$ and Sig. (2-tailed) is 0.000 which is $p < 0.01$ so that, there is a high relationship between Government policy and success of startup business.

In summary, all correlations are statistically significant at the 0.01 level. These results suggest that among the independent variable studied, financial capital and Social factor have the strongest associations with success of startup business, followed by Cultural factor and Government policy. Human capital, while still positively correlated with performance, has the weakest relationship among the variables considered.

4.5.3 Regression analysis

4.5.3.1 Regression analysis with strategic orientation Dimensions as Predictors of bank Performance.

Table 4.7: Regression model summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	.804[a]	.646	.637	.34466	.646	71.660	5	196	.000

For tasting the hypotheses, the researcher run multiple regressions. R square (Coefficient of determination) describes the degree to which the model explains the observed variation of success of startups relative to the mean. R is a statistical measure of how close the data are to the fitted regression line and how well the model describes the response. The adjusted R square used to compare the explanatory power of the model that contains different predictors. Model 1 shows a significantly R-squared value of 0.646, indicating that 64% of the variance in the dependent variable (success of startup business) is explained by the independent variables. R value of 0.804, the model describes 80% of the responses suggesting that the model is a good fit for the data. The adjusted R-squared is also higher at 0.637. Therefore, the Independent variables predicted 63.7% and the remaining 36.3% of success of startup business was predicted by other extraneous variables. This is statistically significant (p = 000).

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.564	5	8.513	71.660	.000[b]
	Residual	23.283	196	.119		
	Total	65.847	201			

a. Dependent Variable: SUCCES

b. Predictors: (Constant), GOV, HUMAN, CULTUR, FINANC, SOCIA

The ANOVA test statistic helps to determine whether the difference between group means are statistically significant, examine the group means by comparing them with each other, determine how well the model fits the data and to determine whether the model meets the assumptions of the analysis or not. The total sum of squares shows the deviations of all the observations of the dependent variable from the mean. The portion of the total variability that is not explained by the model is the residual. The above model 1 indicates the total variability in the observation (65.8%), 23.2% is not explained by the model. The level of significance is less than 0.05 it can be concluded that a linear relationship exists between success of startup business and independent variable.

Table 4.9: Multiple regression results for the effects of Independent variables subscales startup success

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.083	.226		-.366	.715
	HUMAN	.169	.043	.187	3.930	.000
	FINANC	.310	.059	.326	5.294	.000
	CULTUR	.094	.057	.099	1.652	.100
	SOCIA	.262	.080	.233	3.278	.001
	GOV	.183	.070	.178	2.616	.010

The sign of the regression coefficient indicates whether there is positive or negative relation between each independent variable and dependent variable. The p - values for the coefficients indicate whether these relationships are statistically significant or not.

In model one the constant term is 0.083, meaning when all independent variables are zero, the predicted value of PER is 0.083. The standardized coefficients (Beta) show the relative importance of each independent variable.

Table 4.9 indicated that the influence of Human capital (HUMAN), financial capital (FINANC), Cultural factor (CULTU), Social factor (SOCIA), Government policy (GOVER) on success of startup business (SUCCES).

The Unstandardized regression coefficient β represents the change in the outcome resulting from a unit change in the predictor and that if a predictor is having a significant impact to predict the outcome then this β should be different from 0 (and big relative to its standard error).

The p-value is less than 0.05 for all the variables except Cultural factor hence, it indicates that the 4 independent variables are significant predictor of Success factor (dependent variable) and cultural factor found to be statistically insignificant in predicting success of startup business.

Therefore, the β is different from 0 and the researcher found that the predictor variables make a statistically significant contribution in predicting success factor. Human capital (β_1 = .169, p > 0.05) found to be significant in predicting success of startup business, financial capital (β_2 = 0.310, Social factor (β4) = 0.262, Government policy (β_5) = 0.18 are statistically significant variables in predicting success of startup business. Whereas Cultural factor (β_3) = 0.094 statistically insignificant relationship with success of startup business since its p-value is greater than 0.05.

4.7 Discussion of Findings

Multiple Regression analysis was carried out to test the practice of independent variables and its impact on success of startup business and The result of the inferential analysis shows that all correlations are statistically significant at the 0.01 level as (defined by Pearson's correlation).

The fist hypothesis of the study was to find out how Human capital affects success of startup business. According to the regression analysis's findings (β_1 = .169, p > 0.05), Human capital has found significant result on success of startup business. The hypothesis that Human capital has significant effect on success of startup business is accepted since the p-value is less than 0.05. Finding the effect of financial capital on success of startup business was the second research goal. According to (β_2 = 0.310, p < 0.05) the regression analysis results showed a substantial

positive relationship between financial capital and success of startup business. According to the findings, a unit increase in financial capital will improve success of startup business by 0.310 units. The hypothesis that financial capital has significant effect on success of startup business is failed to reject since the p-value is less than 0.05. According to the findings, financial capital will improve success of startup business.

The third hypothesis of the study was to find out how Cultural factor affects success of startup business. According to the regression analysis's findings (β_3 = 0.094, p > 0.05), Cultural factor has found insignificant result on success of startup business. The hypothesis that Cultural factor has significant effect on success of startup business is rejected since the p-value is greater than 0.05.

The study also aimed to determine how Social factor affects success of startup business. According to regression analysis, Cultural factor and success of startup business have a significant positive connection (β_4 = 0.262, p<0.05) which means that adding one more Social factor would result in an increase in success of startup business by 0.262. The hypothesis that Social factor has significant effect on success of startup business is failed to reject since the p-value is less than 0.05.

The fifth goal of the study was to find out how Government policy affects success of startup business. The regression results was β_5=0.18, and p <0.05 showing that there was a favorably significant relationship between Government policy and success of startup business A unit change in Government policy would lead to an increase in success of startup business by 0.18, according to the study's findings. The hypothesis that Government policy has significant effect on success of startup business is failed to reject since the p-value is less than 0.05

4.8 Hypothesis Testing

Human capital (β_1 = .169, p > 0.05) found to be significant in predicting success of startup business, financial capital (β_2 = 0.310), Social factor (β4) = 0.262), Government policy (β_5 = 0.18) are statistically significant variables in predicting success of startup business. Whereas Cultural

factor (β_3 = 0.094) statistically insignificant relationship with success of startup business since its p-value is greater than 0.05.

Based on the outcomes of the Multiple regression analysis, it was discovered that, Human capital (β_1 = .169, p<.001), financial capital (β_2 = 0.310, p<.001), Social factor (β = 0.262, p<.001) and Government policy (β_5 = 0.18) all strongly predicted succes of startup bussines. But Cultural factor has found insignificant result (β = 0.094, p = 0.099).

Table 4.14: Hypothesis testing using regression result

S.N	Hypotheses	Result
1	***H1***: Human capital has positive relation with success of startup business	Failed to Rejected
2	***H2***: financial capital has positive relation with success of startup business	Failed to Rejected
3	***H3***: Cultural factor has positive relation with success of startup business	Rejected
4	***H4***: Social factor has positive relation with success of startup business	Failed to Rejected
5	***H5***: Government policy has positive relation with success of startup business	Failed to Rejected

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents conclusions drawn and recommendations forwarded based on the finding of the research work. It also puts forth future research directions streaming from the limitations of the research.

5.2 Conclusion

However, CF has found insignificant effect on success of startup business; this indicates that the business strategic alignment on marketing strategy and capabilities with business process was not confirmed in the startup business.

In conclusion, the journey of a startup business is both exciting and challenging, shaped by myriad of factors that can significantly influence its success or failure. Key elements such as

market demand, competition, funding availability, and the entrepreneurial team's skills and experience play critical roles in determining a startup's trajectory. Additionally, external influences like economic conditions, regulatory environments, and technological advancement can create opportunities or pose threats.

For aspiring entrepreneurs, understanding these factors is essential for navigating the complex landscape of startups. By conducting through market researches, building a strong network, and remaining adaptable to change, entrepreneurs can enhance their chances of success.

While social factors can enhance a startup's visibility and provide valuable connections, they do not guarantee success. A startup can thrive in a competitive landscape through strong leadership, effective marketing strategies, and a robust business model, regardless of the surrounding social dynamics. Thus, while it is beneficial to acknowledge the role of social factors, entrepreneurs should prioritize foundational business principles that directly impact their bottom line.

cultural factors profoundly affect the entrepreneurial landscape by shaping the willingness of individuals to pursue startup ventures and influencing public attitudes toward startups. Understanding these cultural influences is crucial for policymakers, investors, and founders seeking to promote a vibrant, resilient startup ecosystem that encourages innovation and economic growth.

human capital is a decisive factor in the success of startups, as it enables founders to leverage their skills, knowledge, and experience to overcome obstacles, develop competitive products, and grow sustainably. Investing in human capital, either through hiring skilled employees or seeking training and mentorship, can significantly enhance a startup's chances of achieving long-term success.

5.3 Recommendation

Overall, numerous startups establish every year, but less starters success in their occupation, more than a half of entrepreneurs have not seen the light. To be startup one should be one should have personal motivation which is the the effort of some one who is willing to make their own business and possessed abilities and personal determining to remain self-employed.

Additionally, only willingness and expecting to be like others, it is hard to reach the target. So, before enter in business, starter should do lessons, find more information, practical and prepare ta failure are what are essential for young startups.

However, CF has found insignificant effect on success of startup business; the researcher recommend future researchers to conduct more analysis on relations about these factor and success of startup business.The study also suggested that startups should scan their environment in order to identify new opportunities that will give them a competitive edge. In addition, it is very much important that the startups learn within the organization rather than merely imitating from other organization so as to create superior value and to achieve competitive advantage. The study recommended that there is a need for more utilization of advanced technologies in businesses with special emphasis on new product development. Moreover, government funds, venture capital companies, banks and others should also take this significant observation in to account to measure the potential entrepreneur's commitment in order to reduce the high failure rate and better manage subsidies and funds for small enterprises and the self-employed. This should be borne in mind when designing programs to promote entrepreneurship since it is harder to remain self- employed than it is to start being so.

While cultural factors may not show a significant relationship with startup success in some contexts, future researchers could explore different dimensions of culture that may have a more profound impact. For example, focusing on specific cultural values such as collectivism vs.

individualism, or the perception of failure and risk-taking in entrepreneurial culture, may provide a more nuanced understanding of how cultural factors influence startups. This could also include examining sub-cultural differences within regions or industries. Researchers should consider conducting longitudinal studies to track how the influence of cultural factors evolves over time as startups mature. Cultural attitudes may initially have less of an impact in the early stages of a startup, but over time, as the business scales and becomes more embedded in society, cultural influences may become more significant. A temporal analysis could shed light on the shifting role of culture at different growth phases of a startup.

While human capital is a key success factor, the role of entrepreneurial networks—composed of mentors, advisors, and peer entrepreneurs—should also be considered in future research. How do cultural and financial capital influence the formation and strength of entrepreneurial networks? Understanding the role of social capital, alongside human and financial capital, can provide a more comprehensive view of how startups succeed within their ecosystems. Future studies could explore how government policies facilitate or hinder the growth of such networks and their subsequent impact on startup success.

Government policiesmay have a significant relationship with startup success, but their impact may vary across different stages of a startup's life cycle. Future researchers should investigate how specific government initiatives—such as tax incentives, grants, or regulatory reforms—affect startups differently during the ideation, growth, and scaling phases. For example, policies aimed at reducing barriers to entry may be more beneficial in the early stages, while innovation policies may have a more significant impact during the scaling phase. Longitudinal studies could offer insights into how government support evolves over time and how it correlates with startup success.

By focusing on the interplay between cultural factors, financial capital, human capital, and government policy, future researchers can provide deeper insights into how these factors collectively shape the success of startups. Further research can contribute to a more comprehensive understanding of how specific conditions and policies can be tailored to support entrepreneurial ecosystems and foster startup success. This knowledge would be invaluable for

policymakers, entrepreneurs, and investors aiming to create a more conducive environment for startups to thrive.

Limitation of the study

Only two startup businesses in Addis Ababa city were concluded in the survey but it would make more sense to look other startups. The study ignored qualitative factors in favor of a purely quantitative methodology. The data was only gathered via questionnaires and field observation, may have been employed to get a different viewpoint.

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Questionnaire

Addis Ababa University

Masters of Management of Science

Questionnaire to be filled by startup business employees

Name of student: Yohannes Negash Jifar

Telephone: +251947991315

Email address: Negashyohannes38@gmail.com

Dear Respondents:

This questionnaire is designed to collect primary data for thesis entitled “Factors affecting success of startup businesses in Addis Ababa” The research is conducted as a partial fulfillment of the requirement for the Masters of Science in management. Please read each query carefully and respond to it to the best of your ability, mark [√] the boxes supplied where necessary. There are no correct or incorrect answers; your replies are critical to the study. All responses to this survey are 100% private.

Thank you for taking the time to complete this questioner!

Part I: General Information of the Respondents

1) Sex of respondent:

Male [ ] Female [ ]

2) Age of respondent:

20-29 years old [ ] 40-49 years old [ ]

30-39 years old [ ] 50 years old and above [ ]

3) Educational level:

Diploma [ ] Masters [ ]

Degree [ ] PHD and Above [ ]

4) Work Experience:

Below 1 year [ ] 6- 10 year [ ]

1- 5 years [ ] 11- 15 years [ ]

Above 15 years [ ]

5) Current Position:

owner [ ] manager [ ]

Part II: strategic orientation Measures

Please put mark in the following questions in terms of how much you agree with the statement.

1= strongly disagree 2 = disagree 3 = neutral 4 = agree 5 = strongly agree

	Construct	*Weight*				
No.	Human capital	1	2	3	4	5
1	The organization provides adequate training and development opportunities to enhance employees skills and knowledge					
2	The company's leadership effectively communicates the vision and goals of the organization					
3	The organization's talent acquisition strategies effectively attract high-quality candidate					
4	I am satisfied with the opportunities for continuous learning and development provided by the organization					
5	The company's management effectively supports employee growth and career advancement					

	Construct	*Weight*				
No.	Financial capital	1	2	3	4	5
1	The organization effectively manages its financial resources to support long-term sustainability and growth					
2	Growth in Net income (NI)					
3	The organization's investment decision are aligned with its strategic objectives and create value for owners					
4	The company's access to capital and financing options supports its growth and expansion initiatives					

5	Growth in Return on Equity (ROE)					
6	The organization effectively manages costs and expenses to optimize financial performance					

	Construct	*Weight*				
No.	Cultural factors	1	2	3	4	5
1	The organization values diversity and promotes an inclusive cultural work environment					
2	The company's leadership fosters a respectful and collaborative work environment					
3	The company's values and ethics are consistently demonstrated by employees at all levels					
4	The company's culture supports work-life balance and employee well-being					
5	The company's cultural norms and practices contribute to high employee morale engagement					
6	I feel that the company's culture aligns with my personal values and beliefs					

	Construct	*Weight*

No.	Social factors	1	2	3	4	5
1	Social factors promote economic growth and development for the work environment					
2	Social activities and events organized by the company contribute to a positive environment					
3	The organization fosters a culture of respect and empathy towards others					
4	The company actively encourages employees to build strong professional relationships					
5	The company encourages collaboration and teamwork among employees					
6	I am satisfied with the level of social interaction engagement with my employees.					

	Construct	*Weight*				
No.	*Government policy*	1	2	3	4	5
1	Government policies promote economic growth and business development					
2	Government policies effectively promote business safety and security					
3	Government policies support the growth and development of small businesses					
4	Government policies effectively tackle investment issues, such as subsidy					
5	I'm satisfied with the transparency and accountability of government policies					
6	Government policies adequately address the need and concern of startups					

	Construct	*Weight*				
No.	*Success of startup business*	1	2	3	4	5
1	Our startup has achieved its revenue goals					
2	Our brand is well-recognized in our industry					
3	Our customers are generally satisfied with our products/services					
4	Our startup has experienced consistent growth since launch					
5	Our operational processes are efficient and effective					
6	We are on track to achieve our long-term business goals					