

Stakeholder Engagement in Indonesian Start-Ups

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The concept of Start-ups is becoming increasingly popular, and start-ups are gaining prominence in Indonesia as observed in recent years. The country provides numerous incentives to promote this activity. Jakarta Business Networks, and the 1000 Start-up Movement are just a few incentives to name that are being facilitated by the government. However, the criteria for evaluating the success of these start-ups have not been thoroughly examined. Therefore, this paper attempts to examine the success of three selected start-ups in Indonesia through analyzing Stakeholder Engagement as well as the criteria for achieving it based on its components namely; the networks & capabilities of stakeholders, motivation to engage with stakeholders, power of stakeholders, and capabilities of stakeholders & their access to resources.

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Start-Ups, Stakeholder Engagement, Networks & Capabilities, Motivation to Engage, Power of Stakeholders, Capabilities of Stakeholders & Access to Resources

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1. INTRODUCTION

Stakeholder theory is the center of the strategic management discourse (Freeman, 1984; Freeman, Harrison, & Wicks, 2007). Balancing stakeholder needs and expectations is a core task within project management (Project Management Institute, 2008). The topic continuously gains considerable attention within project management research and practice (Aaltonen, 2010). Stakeholder theory says that managers should make decisions that take account of the interests of all the stakeholders in a firm. Stakeholders include all individuals or groups who can substantially affect, or be affected by, the welfare of the firm—a category that includes not only the financial claimholders, but also employees, customers, communities and government officials (Jensen, 2001). As a result of incorporating the needs of stakeholders, this paper will focus mainly on a part of the stakeholder theory which is; Stakeholder Engagement. The idea was that by acknowledging the needs and concerns of these groups an organization would be able to formulate its objectives in a way that would make the groups support the organization and thereby enhance its chances for survival (Freeman, 1984).

For this article, stakeholder engagement is considered as the extent to which stakeholders' needs are incorporated in relation to their power, potential and harm to the start-ups. Which will hope to result in a deeper understanding of the extent to which start-ups consider stakeholder needs an influence in their success. In this context success, means a positive financial performance or positive growth rate of the start-up.

In countries such as Indonesia, meeting investor interests is relatively high, and therefore has the potential to derail start-ups from their initial goals. The country is still heavily linked with corruption and nepotism, and it is common to sacrifice the good of the company to meet investor demands. Freeman (1984) stated that it is important for managers to broaden their focus on stakeholders, balancing and meeting other stakeholder needs rather than solely focusing on the demands of owners or investors. In addition to this, it would be interesting to see how the founders of Indonesian start-ups perceive the importance of other stakeholders because limited research has been done in Indonesia regarding the importance and involvement of stakeholders in the entrepreneurial process of start-ups. Established theoretical concepts such as “the stakeholder theory” can be used as a basis for analyzing the start-up market in Indonesia.

Addressing stakeholder needs while focusing on stakeholder engagement, the paper hopes to address the research question:

- To what extent do Indonesian start-ups consider other stakeholder (other than shareholders/investors) needs important to their success?

In order to answer this research question, questionnaires will be distributed among a number of Indonesian start-ups to collect relevant data regarding the topic. The answers will then be analyzed in comparison with the existing literature.

The paper will be divided into several parts. Firstly, the Theory will include the theoretical background of the paper and introduce concepts that will be used to analyze the collected data. Then, the Method will focus on how the data was collected. Furthermore, the Results will discuss the findings

presented using the concepts discussed earlier. Finally, the conclusion and limitations of the research will be elaborated.

The research is qualitative in nature due to the limited number of respondents available. This makes it more viable to conduct interviews using open-ended questions rather than a quantitative analysis, which is more suitable for a larger number of respondents. Moreover, qualitative research was also given preference due to time constraints.

2. THEORY

Based on the stakeholder theory, a strong emphasis has been placed on managing stakeholder relationships. By understanding the relationship networks with players in the value chain, it is possible to seek an advantageous position in creating the value proposition and the importance of stakeholders in Indonesian start-ups. In this research paper, relevant concepts from existing stakeholder management literature are used to answer the research question. Such as Stakeholder engagement (Johnson-Cramer & Berman, 2003) will be used to analyze the extent of involvement of the stakeholders. Networks & Capabilities (Walter, Auer & Ritter; Dyer & Singh 1998) will be used to analyze the importance of other stakeholders (other than owner & investors) in creating value. Includes a case study conducted by Walter, Auer & Ritter on spin-off performance, which in turn will be used as the basis of comparison for the Indonesian start-ups performance.

Stakeholder Engagement means to undertake practices that involve stakeholders in a positive manner in organizational activities (Greenwood, 2007). Stakeholders can be engaged through different means, for example; newsletters, employee work councils, customer focus groups, community town meetings, and active public affairs (Johnson-Cramer & Berman, 2005). Arnstein (1969) discussed engagement in the form of allowing stakeholders to participate in an organization's activities.

To elaborate further on the importance of stakeholder engagement the BSR Five-Step approach and The Zero Step (Morris & Baddache, 2012) is used. The zero step implies that before developing an engagement strategy, you must first understand what stakeholder engagement means to your company. Although often used as a byword for public relations or reputation management, engagement is something else. It requires a shift in corporate mindset and a change from treating stakeholders' issues as outside concerns that need to be managed to serious topics that merit dialogue (Morris & Baddache, 2012). After fully understanding the importance of stakeholder engagement a company can then focus on which groups are their priority and build a strategy based on that. In doing so, BSR has developed a five-step approach to engage and maintain relationships with stakeholders over time and throughout the organization. The level of engagement depends on the level of ambition both parties, the higher the ambition to gain value the higher the importance stakeholder engagement is. *This will later be elaborated further with the Network & Capabilities view and Resource Dependency Theory.*



Figure 1. BSR Five Step Approach

Engagement Strategy: Influencers from external stakeholders play an important role in creating and maintaining business value. Therefore, setting vision, level of ambition of future engagement and reviewing past actions companies are able to take a strategic and structured approach to stakeholder relations.

Stakeholder Mapping: A collaborative process of research determines a key list of stakeholders across the stakeholder spectrum. It defines criteria for identifying and prioritizing stakeholders, and allows companies in selecting an engagement mechanism for that particular stakeholder.

Preparation & Engagement: By understanding stakeholder interests, concerns, and positions you can frame the process of engagement to anticipate their needs. Preparation & Engagement will show you how to match the method of engagement to the specific stakeholder, considering the level of formality, ease, and risk associated with certain engagement formats. The intersection of these two key aspects will define your choice of engagement tactics, which will lead you to a format that matches your level of ambition.

Action Plan: Create a dual action plan dividing content between external and internal stakeholders. This approach helps relate your message for the appropriate audience and avoid unnecessary clutter in the final document. External actions will focus on communication, relationship building, and future engagement. While internal actions will range from improving processes, and revising strategy to building further internal engagement capacity.

Source: (Morris & Baddache, 2012)

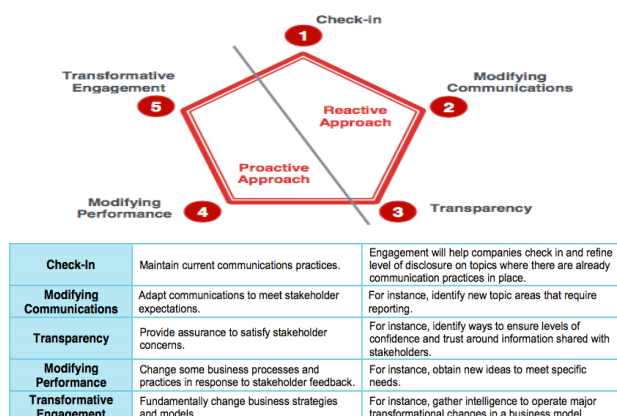


Figure 2. Level of Ambition

Source: (Morris & Baddache, 2012)

The ability for start-ups to develop can be assisted through networks and capabilities, keeping in line with stakeholder engagement it can develop positively by maintaining and using strategic alliances. For instance: within the entrepreneurial process includes opportunity identification, risk taking and resource mobilization (Steffensen et al., 1999) where entrepreneurial behavior is believed to stimulate growth and economic performance. As the portion of a firm's value creation derived from relationships with network partners has grown (Dyer & Singh, 1998) and as firm value is influenced by alliance activities (Anand & Khanna, 2000) the importance in capabilities that allows firms to success in networks has increased.

Networks and their capabilities is one of the crucial elements in stakeholder relationship and firm performance. Walter, Auer & Ritter (2006) conducted a research to see the success rate of university spin-off based on their network capabilities and entrepreneurial orientation. In their study, they found that network capabilities have a positive influence on the success of spin-offs. "Network capabilities comprise a firms capability to develop and utilize inter-organizational relationships to gain access to various resources held by other actors". In addition to this statement, Dyer & Singh found that the relationship within the network is also a crucial element in gaining competitive advantage to reach a higher chance of success rate. The relational view by Dyer & Singh, supports the idea of the relationships within networks to achieve resources outside the firms' boundaries. Therefore, strategic partnerships with suppliers give spin-offs a better chance to reach possible unique resources at the hands of the upstream value chain. For instance, the upstream part of the value chain may influence the business model to meet investors demand. Supplier relationships can also influence the business model through the means of co-creations and supplier involvement.

Knowing the right people allows start-ups access to resources outside of their capabilities, and gives them the potential to excel in the later stages. For instance, Jakarta Business Networkers (JBN) organizes events for companies to expand their networking capabilities and gain new knowledge from others. Events as such provide companies the opportunity to expand their reach. Therefore, by understanding the value of various stakeholder relationships in the industry, we can figure out to what extent stakeholder engagement is deemed important for start-ups.

Similar to the Networks and Capabilities view, the resource dependency theory (Pfeffer & Salancik, 1978) has relevance in deciding the extent and motivation of stakeholder engagement. Stakeholders are important as they can provide additional information about the needs of the organization, which in turn possess the potential to create meaningful value and success (Aarseth, Rolstadås, & Andersen, 2011; Morris & Hough, 1987).

Many definitions can be derived from the resource dependency theory; Pfeffer & Salancik (1978) stated that resource dependency theory characterizes the corporation as an open system, dependent on contingencies in the external environment. As a result, prioritizing each element is a crucial

management decision. Mitchell et al. (1997) suggest an assessment of the identified stakeholders on three attributes: power, legitimacy, and urgency. A powerful legitimate stakeholder with an urgent request should be offered more management attention than a stakeholder without the three attributes. In this context; power, legitimacy, and urgency can be seen as having the same attributes as the level of motivation for stakeholder engagement. Freeman (1984) also endorses the Prioritization of management attention for various stakeholders; he suggests a differentiation between primary and secondary stakeholders in order to allocate the limited management resources properly. Primary stakeholders are, in contradiction to secondary stakeholders, the ones that are essential to the organization's survival and well-being, which should not be viewed in a general sense but related to specific issues (Savage et al., 1991).

Having elaborated thoroughly on the focus of stakeholder engagement and several other theories as the theoretical framework, it can be emphasized that (1) the stakeholder theory has a strong focus on the engagement and management of stakeholders. (2) Stakeholder Engagement incorporates the needs of stakeholders in an attempt to influence the start-up positively. (3) The level of importance depends on the motivation to engage, power, legitimacy and urgency of the stakeholder need. This holds true as for instance; an eager start-up wanting to meet a powerful, legitimate and urgent stakeholder need to influence the firm in a positive manner will be more heavily involved in engaging with that particular stakeholder. (4) Networks and capabilities and resource dependency theory is also a relevant theory in stakeholder engagement. Because of the stakeholders' capabilities or resources, firms may seem more motivated to gain access to these external capabilities and resources to influence the firm in a positive manner. In principle, if a stakeholder has the resources or capability the firm needs, the firm will try to access these resources and capabilities. Which in turn will draw a heavier attention to engaging this particular stakeholder.

Each of these four categories mentioned above leads to measurable variables and criteria's of analysis that will later be elaborated in the methodology.

3. RESEARCH & METHOD

Indonesia is becoming a hotbed for start-ups. Several start-ups have emerged in recent years, according to *techinasia.com*, there are 10 Indonesian start-ups that could be the next big thing. The start-ups namely Acommerce, Bridestory, and YesBoss are just a few of the 10 which are emerging in the country. Based on the *startupranking.com*, Indonesia is ranked third, behind America and India, with the most start ups. 1308 start-ups are registered under this ranking. Lazada Indonesia, Tokopedia and BukaLapak are the three big players in Indonesia, with Lazada ranked 67 globally. New start-ups include food vendors, gadgets, apps, and clothing lines, becoming a big trend in the country. This could be a result of the relatively low investment needed for start-ups to establish themselves. Indonesia provides entrepreneurial markets for start-ups to showcase their products and services in malls for the public, for instance opening a stall or stand there will cost around Rp 4.000.000,- which is equivalent to around 250 Euros. The entrepreneurial market opens monthly and is becoming an attractive event for the general population. The platform to strive for these businesses is provided by the country, however

it is becoming highly competitive because of the number of start-ups rising.



Figure 3. Stakeholder Engagement Influences Success of Start-Ups

For the purpose of answering the research question “*to what extent do Indonesian start-ups consider other stakeholder needs important to their success?*” the variables used have to be measurable as shown above in figure 3. The independent variable consisting of certain components will be used as a criterion for measuring the extent of ‘**stakeholder engagement**’. While its influence on the dependable variable ‘**success of start-ups in Indonesia**’, will be analyzed further. To figure out if there is a clear relationship between stakeholder engagement and start-up performance, the extent of engagement between start-ups and stakeholders needs to be assessed based on the presence of the independent variable and its components.

The components of the independent variables are ‘**motivation and ambition to engage**’, ‘**power of stakeholder**’ and ‘**capabilities of stakeholders and its access to resources**’. These components will be thoroughly elaborated in the next part of this research.

These components assist in understanding the influence of ‘**stakeholder engagement**’ on the ‘**success of start-ups in Indonesia**’, as well as acting as a criterion for evaluating the extent of stakeholder engagement by comparing the theoretical analysis with the empirical analysis.

Furthermore, the method used to conduct this research will be to analyze secondary data and interviewing representatives from a number of start-ups in Indonesia. The first two weeks will be used to contact start-ups in Indonesia and gather data from these interviews. After analyzing these two, they will be compared to the existing literature and it will be observed if there is a correlation between them to answer the research question for the remainder of the weeks, along with having contact with Mrs. Zalewska in terms of revision. Potential risks of this would be if representatives of these companies would be hesitant in answering questions, but that is why we can also analyze secondary data; newspaper, articles, company profiles and etc. Once all the data has been analyzed and evaluated, it is expected to have this paper as the basis for future research for managing stakeholder engagement in Southeast Asian start-ups.

4. DATA COLLECTION & OPERATIONALISATION

The data collection method used for this research is an interview. The basis for choosing this method is due to having a limited number of start-ups available for interview. Moreover, this method will provide a deeper understanding of the respondents' answers due to direct interaction.

The interviews will be held with mainly founders of the start-ups in Indonesia to elaborate thoroughly on all aspects of their activities and progress. As a result, the hope of directly asking those involved with the daily activities of the start-up is to increase reliability and validity in the answers of the interview. Results of the interview will be compared with the theoretical framework used in this paper.

Three Indonesian start-ups are used in the research of this paper and each were given alias's to respect their anonymity and privacy.

Each of the start-ups is at early stages of their entrepreneurial cycle, and are in different industries. The first start-up, **"Company A"** specializes in Men's Fashion particularly in 'Men's Socks', and has been functioning in the market for approximately 2 years. Their core value is to offer unique products that will be distinguishable from afar and provide an alternative choice for men in Indonesia. Their target audience ranges from early twenties till mid 40s. Three shareholders currently run this company and one of them was kind enough to help with the interview.

The second start-up, **"Company B"** is currently still in the development stage of their entrepreneurial cycle. Their aim is to be launched by the end of 2016 or in early 2017. This particular start-up is in the IT and equestrian industry, the vision for Company B is to centralize the equestrian sport to a one-stop window on your mobile device through an app. The app will be filled with everything horse-related, spanning from horse care products, riding gear, horses for sale, guided tours, and assisted buying through consultation with professionals. The company has two shareholders, and one of which was approached for the interview.

The last start-up, **"Company C"** has been in the market for approximately 1 year, the company operates in the fashion industry. Their target audience ranges from teenagers to young adults in Indonesia. They seek to grasp the consumptive young adults mainly through social media. The company has three shareholders and they were approached to help answer the interview for this research.

The questions used in the interview must be a representation of the variables and components of the variable in order to reach the intended research goal of answering the research question. In this context, the questions are tools used to get insight on whether the independent variable has a significant influence on the dependent variable. To test the independent variable, **'stakeholder engagement'** the questions used in the interview must also reflect each of its components; motivation & ambition to engage, power of stakeholders, capabilities of stakeholders and its access to resources. By using these guidelines as the

basis of the question, it helps keep the research within the direction of its intended purpose.

The first component, **'motivation & ambition to engage'** puts emphasis on collaboration between start-ups and stakeholders. This allows start-ups to view and analyze which approach is needed for different stakeholders. The intended goal is to figure out to what extent start-ups are eager and willing to collaborate with stakeholders. The emphasis of this component is on the collaboration between the two parties for the development of the company. Morris & Baddache (2012) stated that influencers from external stakeholders play an important role in creating and maintaining business value. By seeking out the extent of how these external stakeholders are involved with adding business value, it can be assumed that *"The more ambitious start-ups are in engaging with stakeholders, the more added value will be received in return"*. A question that can be derived from this is,

"Are people (other than owners) involved in the development of the company? How are they involved?"

"In what ways would you consider their insight beneficial? How would you approach them to get the best possible outcome?"

The second component **'power of stakeholder'**, relates to the level of importance each stakeholder has on start-ups. Stakeholders may vary in power and start-ups may view power among stakeholders differently. This in turn allows start-ups to prioritize their decisions based on the power of each stakeholder. As stated earlier by Freeman (1984) the prioritization of stakeholders is a crucial element for decision making among managers. The intended aim for this component is to analyze the importance of stakeholders in start-ups success. The component allows for the classification and prioritization of stakeholders to assist start-ups in their decision making process.

As mentioned by Freeman (1984) a differentiation is needed between primary and secondary stakeholders in order to allocate the limited management resources properly. In this case, the classification and prioritization of the stakeholders can be based on Mitchell et al. (1997) attributes of power, legitimacy and urgency. It can then be assumed that *"a more powerful legitimate stakeholder with an urgent request requires higher prioritization compared to other stakeholders because it has a higher impact on the well-being of the company"*. Therefore the questions below will be used to analyze the effect of this particular component.

"How would you distinguish and prioritize these people? Are these people different in the way they affect the company?"

"Is their participation important to the development of the company?"

Lastly, **'capabilities of stakeholders and its access to resources'** refers to the influence stakeholders have on the start-up. Capabilities and access to resources allows the start-up to gain unique insight from outside the firm as well as for

understanding how the start-up may have to deal with both internal and external stakeholders. Pfeffer & Salancik (1978) states that a corporation is an open system, dependent on contingencies in the external environment. Therefore, the influence of external factors to the company is considered to play a role in the overall performance of the company. And given that there is a growing importance of strategic alliance in stimulating growth for start-ups, it is crucial to analyze how this component can positively influence the start-up. As a result, it can be assumed that *“the more unique external stakeholder capabilities (more employee involvement, more supplier involvement, more customer insight and high dependency on government regulations) and resources are, the more it can benefit the start-up.”* In order to test this proposition, the following questions are used.

“Are employees helpful in gaining new perspectives?”

“Are suppliers helpful and cooperative in the development of products?”

“Do you seek customer insight in the development of your company/products?”

“Does the regulations in Indonesia have an influence in making decisions for your company?”

These questions will be used in the interview with the Indonesian start-ups mentioned above. These questions represent the variables and components that are used to analyze the effect stakeholder engagement have on the success of start-ups in Indonesia as mentioned earlier. Once the information has been gathered from the three start-ups, it will be analyzed to see the specific fit between practice and theory. Furthermore, once the analysis has been conducted, the results will be elaborated thoroughly in the conclusion along with recommendations and limitations from the research.

5. RESULTS & ANALYSIS

For the first component **‘ambition & motivation to engage’**, the answers obtained from each of the start-ups were similar due to the involvement of an external stakeholder in the development of each of the companies. Company C for instance stated *“One of the biggest skill that we are lacking is a person who’s expertise involve marketing and advertising, and for this we are acquiring a person who will be involve as employee of this company. This person involvement in the company would be consider very important because the marketing strategies that would be apply to our product would greatly affect the*

	Motivation & Ambition to Engage	Power of Stakeholders	Capabilities of Stakeholders & its Access to Resources
Company A	<ul style="list-style-type: none"> Engages with stakeholders early to get potential benefits from them Incorporates stakeholders early in their entrepreneurial process 	<ul style="list-style-type: none"> Distinguishes stakeholders by their dedication to the company and the results given for the company 	<ul style="list-style-type: none"> Considers employee insight useful to a certain extent Not all suppliers are helpful Both customer insight and government regulations is important assets to their company
Company B	<ul style="list-style-type: none"> Engages with stakeholders early because they need them to develop products/services Incorporates stakeholders early in their entrepreneurial process 	<ul style="list-style-type: none"> Distinguishes stakeholders by their level of expertise and impact it has on the company 	<ul style="list-style-type: none"> Heavily dependent on suppliers capabilities Employees are useful only to a certain extent Customer insights is important in the development of their products Obliges and acknowledges government regulations
Company C	<ul style="list-style-type: none"> Engages with stakeholders because they need their expertise (external perspective on things) 	<ul style="list-style-type: none"> Distinguish and prioritize stakeholders based on the level of financing needed to undergo the engagement 	<ul style="list-style-type: none"> Suppliers are less important (only transaction based) Considers customer insights crucial to their development Obliges and acknowledges government regulations

acknowledgement of our brand among consumers, and most importantly our rate of sales. So we cannot just rely on our self among share holders to auto-deduct the marketing skills needed, because then it would not be as effective as we wish." By addressing a lack of their own personal capacity, Company C was motivated to approach an external party to benefit their company, which also relates to the third component of **'capabilities & access to resources'**.

In addition, Company A and Company B states that their engagement with stakeholders starts at the beginning of their entrepreneurial process which allows them to collaborate with stakeholders early giving them the feeling of being part of the team. Eskerod & Huemann (2014) claims that involving stakeholders on an extended level is necessary within a management for stakeholders approach, because otherwise it is not possible to really get to know their requirements, needs, wishes, and concerns. This approach shows similarities with the BSR five-step approach and the Zero Step, which allows them to understand what the stakeholder means to their respective companies and how they can best approach these stakeholders to get the best outcome. Thus further relating to Greenwood (2007) who states that stakeholder engagement means to undertake practices that involve stakeholders in a positive manner in organizational activities.

In case of the second component **'power of stakeholders'**, Company A and Company B have a similar approach to distinguishing and prioritizing stakeholders. Both categorize each stakeholder by the level of expertise the stakeholder possesses, and the impact each shareholder has on the overall business. By doing so, they are able to distinguish which stakeholders are more beneficial for their companies. Furthermore, this relates to the prioritization of primary and secondary stakeholders mentioned by Savage et al. (1994), which states that primary stakeholders are the ones that are essential to the organizations survival and well-being. Company C on the other hand has a slightly different approach; their priority concerns the funding of their operations. They prioritize each stakeholder by the amount of capital needed to engage with that stakeholder. This allows Company C the benefit of having complete control of their daily operations and financial management.

As Company C has limited capital and resources, this restricts their ability to focus on all stakeholders. Since the priority is being given to internal stakeholders for the purpose of internal capacity building, there is a lack of perspective in viewing the urgency and power of external stakeholders as a consequence.

For the last component **'capabilities of stakeholders and its access to resources'**, the start-ups were asked a few questions regarding the influences of employees; cooperation of suppliers; customer insight on development of products; and government regulations that impact their decision making process.

The first question for this component relates to employee insights in gaining new perspectives. Company C for instance considers employee insights an important aspect in gaining new perspectives. However, Company B and Company A perceives employee insight as useful but to a certain extent and not in all functions of the business. Company A stated *"Not all the time as they could be suggesting something that has no relevance for the company vision and mission but for their own career."* This

would cause a conflict of interest between employees and the company, where employees consider their own career is more important than the progression of the start-up while having a negative influence upon the company.

For the second question of this component, the start-ups are asked about the cooperation of suppliers in the development of products. Company C considers suppliers as a transaction based relationship where their engagement is based solely on the purchases of raw material. Company A considers supplier collaboration useful to a certain extent but not always. This is due to their approach towards distinguishing whether to collaborate with the suppliers derived from their current need and situation. Company B on the other hand considers supplier collaboration an important aspect because their suppliers are actually horse trainers that deal directly with customers. The reason these answers might differ for each of the start-ups could be due to the type of product the start-ups offer. The way Company B views suppliers is supported by Donaldson & Preston (1995) that states management of stakeholders approach is perceived as means to specific aims in the organization, and managers must figure out how to influence the stakeholders to procure resources for the benefit of the organization. Company C's engagement with suppliers is solely transaction based; this is because they purchase the raw materials and design their own products with their internal creative employees. Company B on the other hand is a platform that links trainers and customers together; as a result their suppliers/trainers is an essential piece to the development of their products. Whereas, Company A cooperates with suppliers based on the extent it requires the suppliers' input. Therefore, it can be said that the amount of supplier involvement in the development of products can also depend on the type of business the start-up is involved in.

Third question relates to customer insight for the development of their products. All of the start-ups in this research consider customer insight essential in the development of their products. This is due to the importance given to meet customer needs and preferences. Thus, given the increasing importance of customer orientation, activities that integrate potential customers into the innovation process may serve as a basis for selling innovative products and services to customers ahead of competition (Maidique & Zirger, 1984). Therefore customer insight is a critical factor contributing towards the development of the products based on each of the start-ups approach.

The last question refers to the influence government regulations have on the decision making process of each of the start-ups. Government regulations play a big role in the decision making process as well as in the daily activities of the companies. The way each of the start-ups function must comply with government standards, and not breach the regulations.

For this particular component, the start-ups have different perspectives on how they view the **'capabilities of stakeholders & access to its resources'**. Therefore the proposition *"the more unique external stakeholder capabilities (more employee involvement, more supplier involvement, more customer insight and high dependency on government regulations) and resources are, the more it can benefit the start-up"* cannot be confirmed or rejected based on the information collected from the interviews.

6. CONCLUSION & RECOMMENDATION

To answer the research question “to what extent do Indonesian start-ups consider other stakeholder (other than shareholders/investors) needs important to their success?” an analysis was conducted using a number of theories related to stakeholder engagement.

The stakeholder theory emphasizes on managing relationships with stakeholders while serving as a basis for the theoretical framework. This was followed by the main theories namely; stakeholder engagement, networks & capabilities and resource dependency theory.

In addition to this, three Indonesian start-ups were selected for this research where each of the start-ups was interviewed. The results of the interviews were compared and analyzed in order to observe the extent of interaction between theory and practice.

The results show that there is an emphasis placed on stakeholder engagement by each of the start-ups. Based on the results, two components that were highly considered by start-ups are the **‘ambition & motivation to engage’** and **‘power of stakeholders’**. Their ambition to engage with stakeholders arises from the need of getting external insights that may potentially benefit the well-being of the company. Start-ups are keen on including the needs of other stakeholders that can benefit their company; it can be seen from the three start-ups that are ambitious and motivated in engaging with stakeholders early on in their entrepreneurial process. This is also supported by the view of Greenwood (2007) that states stakeholder engagement means to undertake practices that involve stakeholders in a positive manner in organizational activities. Thus, strengthening the proposition *“The more ambitious start-ups are in engaging with stakeholders, the more added value will be received in return”*.

‘Power of stakeholders’ is another important component considered by start-ups. This particular component is considered essential to their success and growth, because it gives start-ups the ability to distinguish and prioritize which stakeholders is more likely to impact their company. Which gives the start-ups the benefit of knowing which stakeholders have an immediate impact on the well-being of their company. There were different methods to distinguish and prioritize stakeholders used by start-ups; the first being that stakeholders were categorized based on their level of know-how, expertise and potential to impact the company. The second approach was to analyze the amount of capital needed to engage with the stakeholders, which prioritizes internal stakeholders over external stakeholders. Nonetheless, distinguishing and prioritizing stakeholders were considered a crucial part in engaging with stakeholders to influence the success of their start-ups. By distinguishing and prioritizing stakeholders, companies can observe how each stakeholder can be potentially beneficial allowing them to select stakeholders that are most resourceful at any given period. Therefore the proposition; *“a more powerful legitimate stakeholder with an urgent request requires higher prioritization compared to other stakeholders because it has a higher impact on the well-being of the company”*, is supported by the results of the interview and also the theory used in this research.

The component **‘capabilities of stakeholders and its access to resources’** is not as heavily considered as the other two, because the capabilities of stakeholders were both useful and insightful to a certain extent but it does not always mean that their capabilities can benefit the well-being of the start-up. Consequently the proposition *“the more unique external stakeholder capabilities (more employee involvement, more supplier involvement, more customer insight and high dependency on government regulations) and resources are, the more it can benefit the start-up”* is not supported by the results gathered during the interviews.

The results of this research attempts to answer the research question “to what extent do Indonesian start-ups consider other stakeholder needs important to their success?” the results of the interview gives an understanding of how Indonesian start-ups engage with stakeholders. Proposition 1 and 2 is supported by the results of the interview and also existing literature, giving a deeper understanding on the extent stakeholder needs is important to start-ups success. Proposition 3 however could not be supported by the findings of the research. Nonetheless, through proposition 1 and 2 the research question was answered. Start-ups consider stakeholder needs important to the success of their company as they also play a part in the growth and development of the start-ups contributing towards its success.

However, it should be mentioned that start-ups also consider the inclusion of stakeholders be kept under control of the start-up because at times some stakeholders may have conflicting perspectives on the potential of the business (employee career vs. company success). This conflict between employees and start-ups could lead to future research on the basis of this conflict and see to what extent this affects the start-ups. Using start-ups from different industries and at later stages of their entrepreneurial cycle would also be an interesting topic for future research

Limitations of this paper include the limited number of start-ups used in the research; the use of more respondents could have given a different outcome or could also strengthen this paper. Secondly, the limited amount of time used to conduct the research is considered a limitation because it restricts the research to be conducted at only one-point in time of the start-ups entrepreneurial cycle. More time would allow the possibility of a longitudinal study where the results of the interviews can be compared at different stages of the start-ups entrepreneurial cycle. Third, the lack of start-ups from different industries used in the research is also considered a limitation because it limits the research to be tested in a small number of industries. Including different industries in the research could add additional information about the influences of stakeholder engagement within start-ups. Also, the limited variety of components used to conduct the research is considered another limitation because it restricts the research to be tested based on these components. Which limits the possibility of analyzing other factors/components that might cause an influence to stakeholder engagement within start-ups. Lastly, the limited number of interview questions used to conduct the interview is also considered a limitation as additional questions may give the research deeper insights to the engagement of stakeholders and start-ups.

In future research, it could be interesting to apply an in-depth longitudinal study in order to get a better understanding of the importance of stakeholder engagement and start-ups in Indonesia. By conducting the research in a larger scale (more respondents, more industries, more components, etc.) and a longer period of time the results of the study could potentially add insight to the extent stakeholders are engaged in different stages of the start-ups entrepreneurial cycle.

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