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EXPLORING THE FACTORS THAT INFLUENCE PIVOTING IN STUDENT STARTUPS: A CASE STUDY OF ENTREPRENEURSHIP STUDENT OF SBM ITB ANALYSIS

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Abstrak:

According to recent news sources and journals, the growth of start-ups in today's world is on the rise. The pandemic has played a significant role in this growth, with many people starting their own businesses after being laid off from their jobs (Casselman, 2021). In 2023, experts predict that there will be increased investment in social media, user-generated content, and entertainment for small businesses (Halperin, 2023). Alternative funding sources are also becoming more common for small businesses as interest rates rise (Halperin, 2023). The design acts as the research project's "blueprint," connecting the design, data collecting, and analytic activities to the research questions and guaranteeing that the entire study agenda will be covered. Based on the tentative coding analysis that has been done above to answer the question "what encourages you to pivot?", that have been analyzed into selective coding, it can be seen that their reason is because their own ability to build a business is still not that enhanced. This conclusion could be argued because there are severals variable that are supporting the conclusion. For example the informant said that the lack of proper planning, difficult process to execute, and the customer is not interested in the idea offered are the reason that prompting the pivoting phenomenon. Based on the results of the research conducted, it can be seen that as many as 17 out of 20 student startups in the SBM ITB entrepreneurship department experienced pivoting. The majority of these student startups experience pivoting in their business model and business ideas, where the pivoting they experience is included in the types of pivoting discussed in the previous chapter such as technology, customer need, customer segment, channel, complete, and side project types.

Kata Kunci: Exploring, Factors, Student

INTRODUCTION

According to recent news sources and journals, the growth of start-ups in today's world is on the rise. The pandemic has played a significant role in this growth, with many people starting their own businesses after being laid off from their jobs (Casselman, Jiménez-Esteve, & Domeisen, 2022). In 2023, experts predict that there will be increased investment in social media, user-generated content, and entertainment for small businesses (Halperin-Sternfeld et al., 2023). Alternative funding sources are also becoming more common for small businesses as interest rates rise.

Locally, it is anticipated that this year will see an increase in low-cost reader-focused start-ups (Giaquinto et al., 2022). Numerous publishers, including those with a concentration on advertising and subscriptions and operating in more than 50 nations, have claimed increases in income (Giaquinto et al., 2022). Some economists, though, are still dubious about the start-up boom's long-term importance. The majority of newly established enterprises are single proprietorships, and many of them are in the retail industry.

Overall, it appears that a number of variables, including the pandemic and alternate funding sources, are contributing to the expansion of start-ups. Others think it would help create a more dynamic and productive economy that could more quickly recover from future recessions, while others are still dubious about its long-term significance.

Despite the growth experienced by start-ups, there is still a risk of failure. According to Harvard Business Review, doing something new with limited resources is inherently risky (Eisenmann, 2021). In 2023, 90% of start-ups fail (Kotashev, 2022). Reasons for failure include money running out, being in the wrong market, a lack of research, bad partnerships, ineffective marketing, and not having the right team (Chalandra M. Bryant, Anderson, & Notice, 2022). Startup failure is most common when the company has 11-50 employees.

The main reasons why startups fail include lack of product-market fit, disharmony on the team, a flawed business model, money running out, being in the wrong market, a lack of research, bad partnerships, ineffective marketing, and not having the right team (RingCentral, 2021; Eisenmann, 2021; cbinsights, 2021; (Wendy Bryant, Fieldhouse, & Bannigan, 2022). According to a study by CB Insights in 2022, 47% of startup failures were due to a lack of financing or investors (Lapola et al., 2023).

Startups are fledgling businesses that are formed to create a one-of-a-kind product or service, bring it to market, and make it compelling and irreplaceable to clients. A startup, founded on innovation, seeks to improve existing products or establish totally new categories of goods and services, challenging entrenched methods of thinking and doing business for entire industries. As a result, many startups are dubbed "disruptors" in their respective industries (Wirusanti, Baldridge, & Harris, 2022). Startups are often associated with high-risk, high-reward ventures, as they face many uncertainties in their early stages of development. According to an article in the Harvard Business Review, startups must navigate challenges such as market uncertainty, resource constraints, and competition from established players (Wilson, Ruddock, Smits-Engelsman, Polatajko, & Blank, 2013).

Despite these challenges, startups have the potential to disrupt traditional industries, introduce innovative solutions, and create significant economic value. According to a report by Startup Genome, startups have created $3.8 trillion in value and 100 million jobs globally (Startup Genome, 2020). Startups are innovative, high-growth companies that operate in an uncertain environment. They are characterized by their focus on introducing new products or services to the market and scaling their operations rapidly. While startups face many challenges, they have the potential to create significant economic value and drive innovation.

In today's rapidly changing world, startups have become a popular way for entrepreneurs to turn their innovative ideas into successful businesses. However, the journey of startup development is not always smooth sailing. The world experiences ups and downs, including economic downturns, technological disruptions, and societal changes that can significantly impact the success of startups. According to a research article published in the EPRA International Journal of Multidisciplinary Research, startups face significant challenges in a world that experiences ups and downs. Economic instability, technological disruptions, internal problems within the team and changing consumer preferences are just a few of the factors that can impact the success of startups (Veena & Anitha, 2022).

Start-ups experience a lot of challenges in their journey, one of the impacts of the challenges they face is pivoting. A pivot is when a startup changes direction in a fundamental way by breaking with its core focus. Pivots can be hard and risky, and startups only embark on one if they are convinced it can save their company To succeed, startups must act quickly and decisively, recognizing that everything about their company - product, strategy, people - may need to change (Silicon Valley Bank, n.d.).

Pivoting can help startups overcome challenges that hinder their growth (Meyer et al., 2021). However, pivoting requires entrepreneurs to have a deep understanding of the phenomenon. Research studies such as those conducted by Lund University in Sweden and UK-based researchers aim to understand the entrepreneurial pivoting experience of tech startups (Sala, Philbin, & Barikzai, 2020). The research focuses on understanding the type of pivots and factors that influence them.

Pivoting can mean changing one or more aspects of a business model to improve chances of success. It might mean scrapping a key product or pursuing an entirely new market if not both (Silicon Valley Bank, n.d.). Startups must be brave enough to act decisively when they recognize the need for radical change. The Lean Startup methodology has been described as uncertainty reduction through validated learning (Sadeghiani & Anderson, 2023), which means that startups should validate their assumptions before making any significant changes.

TABLE 2

Major pivot types.

Dimension	Pivot type	Definition
Product	Zoom-in	A single product feature becomes the entire product.
	Technology	The product offers the same solution with different technology.
	Platform	A product becomes a platform or vice versa.
	Zoom-out	An entire product becomes a feature of a larger product.
Market	Customer need	The new product solves a different customer problem than the original.
	Customer segment	The new product targets a different customer segment.
	Channel	The start-up finds a better way to reach customers.
	Zoom-in*	The focus switches to one market sector rather than the entire market.
Others	Complete*	Significant product, market, and financial changes occur, but the entrepreneurial team is the same.
	Side project*	A business idea parallel to the main project becomes the main project.

** A pivot type not previously identified.*

Figure 1.1 Major Pivots Types (Bajwa et al., 2017)

Based on a research journal conducted by Bajwa 2017 in India, it shows the types of pivots experienced by startups. This type of pivot is divided based on its dimensions, namely product, market, and others. Where this type is distinguished based on its dimensions. Pivoting in the product dimension has several types. The first type is how a product becomes more specific or complex, this is characterized by zoom-in, platform, and zoom-out pivot types. While the technology type is when other technologies are used to present the same solution. Pivoting in the market dimension itself is also divided into several types. The first type is when a product targets a different target than originally determined, this is more characterized by the pivot type of customer need, customer segment, and zoom-in. The channel type is a change in how the startup reaches its customers. In the last dimension of others, there are two types that explain more about how there are strategic changes in running the business, both in terms of ideas, business models, business ideas, etc.

To sum up, pivoting is a phenomena that occurs when startups break from their primary goals and pivot in a significant way. While pivots are challenging and hazardous, they can aid firms in overcoming obstacles that impede their growth. When a startup sees the need for a significant transformation, it must act rapidly and forcefully. Utilizing approaches like Lean Startup, they should test their hypotheses before making any big modifications.

The majority of the start-ups in Indonesia are digital, and the start-up ecosystem there is expanding. In Indonesia, there were 2,229 new businesses as of January 2022. According to

Wartono (2022), this country has the most unicorn start-ups. With almost 2,300 businesses entering their various marketplaces, Indonesia has a robust startup ecosystem (Fybish, 2023). Kopi Kenangan, a coffee firm that offers quick grab-and-go style setup, is one of the top Indonesian startups to watch in 2023 (Fybish, 2023). Based on their present impact and investment, Tech Collective SEA shares a list of the top 5 tech start-ups in Indonesia to watch in 2023 (Tech Collective, 2022). The Asian Development Bank (ADB) predicted that Indonesia's economy would expand by 5.4% in 2022 and 5.0% in 2023 (Forbes, Ern, & Zhang, 2022)).

In Indonesia itself, the same phenomenon occurs where startups fail, even go bankrupt and have to lay off their employees and close their services, this is largely due to financial problems, one of which is influenced by the tight funding of investors from venture capital and uncertain economic conditions due to the economic turmoil that occurred in Indonesia during the pandemic and post-pandemic (Setyowati & Watini, 2022) (Primadhyta, 2022).

Another Indonesian firm, DishServe, recently changed its business strategy to concentrate on automating back-of-house tasks for eateries, cafes, and kitchens that exclusively conduct delivery. By utilizing its unique technical solutions, the company hopes to assist underutilized kitchens in creating a viable business (Technode Global, 2023).

An Indonesian biotech business named Nusantics quickly changed strategy last year to create Covid-19 testing kits when they were most needed (Williamson, Macgilchrist, & Potter, 2023). The business was able to create a functional prototype, but in order to provide the minimal testing required for the Indonesian people, it had to swiftly scale up and produce a massive volume. Working with Indonesian native flora and animals posed the biggest challenges for Nusantics (Williamson et al., 2023).

Business pivots are generally nothing new for startups. This course of action is typically followed when a business is struggling to advance or isn't expanding. Many startups have changed direction in the Covid-19 pandemic situation, but not because they were experiencing slow business growth, but rather because they were forced to do so in order to survive.

As one of the institutes in Indonesia, ITB, especially the SBM faculty, opened a major in Entrepreneurship. Where students are encouraged to be able to build startups with technology that can solve problems that exist in society today. These student startups are expected to develop into useful startups with the help and guidance of lecturers and mentors who are capable in their respective fields. In this Entrepreneurship program, students are guided from the idea search stage to the execution process with the help of various concepts ranging from the book Disciplined Entrepreneurship: 24 Steps to a Successful Startup by Bill Aulet, Lean Startup by Eric Ries, and other frameworks.

The student startup is the same as the seed stage, which is the stage where the company's idea is tested to see if it is feasible or not. Pivoting in the seed stage phase of a start-up refers to changing the business strategy to accommodate changes in the industry, customer needs, or market trends. A pivot is when a startup breaks with its core focus and changes direction in a fundamental way. The underlying research may have been accomplished at this point, but the commercial capabilities have yet to be demonstrated. In general, a legal business entity has not been created since the choice to proceed with the formation of a business has not been made.

During the seed stage, the entrepreneur often requires relatively small amounts of funding to do business feasibility studies, produce prototypes, analyze market potential, protect intellectual property, and research other elements of the company concept. At the end of the seed financing phase, the entrepreneurs decide whether to proceed with a commitment to form a firm, also known as the go or no go decision. (Hofstrand, Li, & Weinstein, 2023). Some examples of pivoting include Slack, which started as a gaming company and pivoted to a communication tool for teams; Instagram, which started as a location-based social network and pivoted to a photo-sharing app; and YouTube, which started as a dating site and pivoted to a video-sharing platform (Nichols et al., 2023). Pivoting is not necessarily about drastically changing the whole business, but rather addressing one important problem that requires a change in a single area.

This startup pivoting phenomenon is also experienced by student startups pioneered by students majoring in Entrepreneurship, where starting when entering semester 5 until now, there are several students who have to pivot from their business, starting from ideas and even having to disband their team so that they have to merge with other teams or even create their own teams with the help of students outside SBM.

METHOD

This research will be using a Case Study methods. A case study is a type of research approach that involves an in-depth analysis of a specific phenomenon in the context of real-world events. It has the potential to produce insights from thorough investigation into the study of a phenomenon in its actual setting, leading to rich, empirical descriptions and the formulation of theory. The steps involved in carrying out a case study project include conducting a literature review, developing research questions, determining the type of case study design, defining the case boundaries and selecting the case, preparing for data collection, gathering and organizing the data, analyzing the data, writing the case study report, and evaluating the quality. Researchers have access to a wide range of applications for the extremely versatile and effective research method known as case study research (Fàbregues & Fetters, 2019).

RESULTS AND DISCUSSION

5.1 Interview Result

5.1.1 What prompted the pivoting of the business

Based on the tentative coding analysis that has been done above to answer the question "what encourages you to pivot?", that have been analyzed into selective coding, it can be seen that their reason is because their own ability to build a business is still not that enhanced. This conclusion could be argued because there are severals variable that are supporting the conclusion. For example the informant said that the lack of proper planning, difficult process to execute, and the customer is not interested in the idea offered are the reason that prompting the pivoting phenomenon.

5.1.2 What was the specific moment that caused to pivot

Based on the results of the tentative coding analysis of the question what special moments cause to pivot, it can be seen that these student startups experience moments of internal and external business dynamics that cause student startups at SBM ITB to pivot, this is supported by several events that they experience including individual problems to external factors such as supporting environments such as online lectures which ultimately encourage them to pivot.

5.1.3 Factors influencing pivoting decisions

Based on the results of the tentative coding analysis of the question above, it can be seen that the factor that influences the pivoting decision is so that the business run by the student startup is more in line with the conditions and capabilities possessed by their team, so that they do not have to struggle in the process of running later. This is supported by the informant's answers regarding the factors they experienced, namely related to poor planning, expertise, and ease of business execution, which influenced their decision.

5.1.4 Changes in business strategy that occurred

It can be seen from the results of the tentative coding analysis that has been carried out regarding the changes that occur in the student startup business caused by the pivoting phenomenon, which changes their business strategy in improving their business strategy to make it more market fit. This is reinforced by the informant's answer which states that they generate new solutions that are more relevant and appropriate to their team's capabilities and update segmenting and targeting strategies.

5.1.5 Aspects that were previously not working in the business

Based on the results of the tentative coding analysis that has been carried out, it can be seen that the aspects that previously did not run smoothly in the business run by student startups are insufficient team capabilities for the effective problem solving and the absence of suitable external partners. This is evidenced by the realization of a solution that did not work, inappropriate solution work process, and lack of market readiness which caused them to pivot in their business.

5.1.6 Changes in business model

Based on the results of the tentative coding analysis that has been carried out, it can be seen that there is a change in the business model in the student startup business in the entrepreneurship department by changing their core business strategy to adjust the changes that have previously been made related to pivoting. This is reinforced by the answers from informants, namely that they make changes in the way value is delivered to customers and changes in the products or services they offer in their business.

5.1.7 Why the change is necessary

Based on the results of the tentative coding analysis that has been carried out based on the question of why change is needed, it can be seen that changes in the student startup business are important to exist so that their business always provides the right solution for customers according to the capabilities they have in their resources. This is evidenced by the informant's statement that they make this change so that their business is more relevant to market needs and this change is adjusting to the resources owned by the team.

5.1.8 The perceived positive impact of pivoting on their business

Based on the results of the tentative coding analysis that has been carried out, it can be seen that after doing this pivoting, student startups experience an increase or feel a positive impact, namely improved performance of business and team aspects. This is reinforced by the variables mentioned by the informant. For example, improved performance and quality of the team, increased individual satisfaction, profit from the activities carried out, and better recognized by the wider community.

5.1.9 Obstacles and challenges faced in the pivoting process

Based on the results of the tentative coding analysis that has been carried out, it can be seen that in pivoting, student startups experience problems in the form of obstacles and challenges that arise related to re-planning of core business that must adapt to conditions and capabilities, where this is reinforced by several variables they experience, namely repetition of the business process from the beginning, limited knowledge and skills, providing clear messaging, and to re-energize and motivate.

5.1.10 How to overcome obstacles and challenges faced

Based on the results of the tentative coding analysis that has been carried out, it can be seen that in facing the obstacles and challenges that arise in this pivoting process, student startups are improving the quality and growth mindset of the business team. This is reinforced by the things they do, namely enhancing communication, effective manpower planning, and asking for expert help to overcome the difficulties they face.

From the results of this research data collection, there are several conclusions that can be described, first, it turns out that there is a very close relationship between the business skills of entrepreneurship students towards business success and the occurrence of the pivot phenomenon that occurs. Based on the data obtained, this pivot occurs because the ability to build a business that is still less capable among students, this is formed from the lack of proper planning of business planning, the difficulty of the process for execution, and the customer is not interested in the idea offered.

From this lack of ability coupled with the dynamic moments that occur, both internally and externally in their business, such as to be able to meet the current demand, this is the reason why they pivoted. The next exploration is about the factors behind their pivoting. These student startups experience obstacles in the process of running their business, such as repetition of the business process from the beginning, limited knowledge and skills, cooperation with third parties for development, etc. This is the factor that influences their pivoting. This ultimately becomes a factor that influences the decision where they pivot because they want to find a business that is more in line with the conditions and capabilities that are owned, where previously they were still doing poor planning and they did this pivoting to find convenience for the business execution process. In facing this obstacle, student startups improve the quality and growth mindset of the business team such as enhancing communication, effective manpower planning, and asking for expert help.

This change in business is needed by student startups because so that they can provide solutions that fit the market and capabilities, these changes ultimately result in a perceived impact on their business, namely changes that occur both in their strategy and business model, where they improve their core business strategy to make it more market fit. Which results in a positive impact on the business of their startup, namely improved performance of business and team aspects, which is characterized by improved performance and quality of the team, increased individual satisfaction, and getting profit from the activities carried out.

CONCLUSION

Based on the results of the research conducted, it can be seen that as many as 17 out of 20 student startups in the SBM ITB entrepreneurship department experienced pivoting. The majority of these student startups experience pivoting in their business model and business ideas, where the pivoting they experience is included in the types of pivoting discussed in the previous chapter such as technology, customer need, customer segment, channel, complete, and side project types.

But it is not uncommon for those who pivot in terms of team, where this type of pivot is not included in the dimensions discussed in the previous chapter, based on the findings of the interviews conducted, this team pivot is caused by problems from the internal team, both from self-motivation and caused by bad relationships between its members. This pivoting does not cause any conflicts to occur but instead adds to individual satisfaction such as feeling relieved and getting a team that finally matches the desire. The research question conclusion will be answered below.

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