

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Entrepreneurship is commonly regarded as an important factor which can influence organisational performance. An entrepreneur is one who plays with uncertainty, consumed labour and materials, and sells products afterwards. He is one who assumes risks and likely to adopts innovation. Developing a business is one of the most complex degrees and it includes lots of uncertainties. Successful entrepreneur would have to possess a requisite knowledge, master the requisite skill and choose to work on the tasks for some period at some level of effort. Being the key decision makers, the entrepreneurs have high influence on the formation of business strategy and are responsible to set the roadmap for their firms to move towards the set goals.

A successful entrepreneur is defined as an individual with traits, such as specific knowledge, motives, features, self-images, social roles and abilities, which result in company's success. An Entrepreneurial competency is the capability of entrepreneurs to face effectively a critical situation by making sense of environmental constraints and by activating relational and internal specific resources. Entrepreneurial competencies are created the positive impact in the business performance.

Competency of entrepreneur acts as the effective tool for predicting the performance of the firms. Without sufficient performance, a business would not be able to survive especially in a competitive environment. The entrepreneur can use attitudes and skills in which it leads to attaining the successful performances of the business. The technical competency of entrepreneur has varied from day to day of which it also leads to produces the effective

performance. Communication competencies have played an important role in the entrepreneurship.

Competencies of entrepreneurs have led a business more successful, and it provides the sustainable competitive advantage. Valuable skill, knowledge, and the ability to take the risk, birth and survival are some of the factors which are closely associated with the entrepreneurial competencies which also have produced the successful performance. The business owners themselves are responsible for the direction and the development of their firms. The person who forms a business is ultimately responsible for its success or failure. Thus as key players, the ability of entrepreneurs is to cope with all responsibilities.

As the trend to reduce meat consumption gains attraction with more consumers to vegetarian food, many restaurants are focusing on plant-based dishes and menus that cater to vegetarian preferences. One of success stories in vegetarian food is Loving Hut restaurants. Rahadjeng Hartini implements the behavior to not consume the food that contains animal elements. With the vegetarian eating habit that provides great benefits for health, Rahadjeng Hartini gets the culinary business opportunities with this vegetarian concept. This woman founded a vegetarian restaurant called Loving Hut in 2011 which offers up to 80 Indonesian and International food menu variants. This restaurant is growing to be able to provide catering to several leading companies in Indonesia. The pattern of vegetarianism is growing and becoming a trend in society. Despite having a hobby of cooking, but Rahadjeng Hartini explains that to build a business in the field of culinary is not easy. It takes careful preparation to build a restaurant with this vegetarian concept. It is still needed a differentiator especially on the menu offered to run the business continues to grow. For that, Rahadjeng Hartini makes various innovations on her vegetarian restaurant menu. If vegetarian

restaurantss are usually only focus on Indonesian food menu, but in Loving Hut, consumers can find various menus both from various countries such as Korea, Japan, Thailand and some European countries. There are at least about 80 variants of the menu offered and all is a vegetarian menu and free of animal raw materials, eggs, milk until honey. (Yuda, 2016).

The innovation is broad concept which is include the new method in business practices and new marketing concept, workplace organizational or external relations and also include the implementation of a new or significantly can improved product either it is goods, services or processes. One of the innovations that can be done is through innovation of people's characteristics which is that can be trained and developed. The most crucial part for the firm to success is the firm's capability to produce innovation. There are multiple factors to determine innovation capability that varies from firm to another firm.

Along with the development of vegetarian behavior as modern lifestyle, it can increase vegetarian restaurants. Now, to find vegetarian food is easy and the food is more dynamic. One of the entrepreneur that get high profit from vegetarian food business is Erna Wibowo. She started vegetarian food business that promoted the Me & Mom brand. Me & Mom provides delicious and different vegetarian culinary with others. In Me & Mom, the customers can still consume food like nasi betutu, nasi kucing, lotong sate, nasi dewata, brengkesan atau pepes ikan, nasi teri dan lempur vegan. Although all the food seems like animal products, but in Me and Mom transformed into vegetarian food. It feels no less with the original version of the food and most importantly healthier. Me & Mom receives a positive response from customer. The customers say that the food fit on their tongue. According to Erna Wibowo, currently with technology, innovation and a touch of vegatarian food creativity can be

transformed into more diverse. Mushrooms can be processed into basic ingredients of meatballs, processed flour can be processed as a fish or sliced meat, even a cheese can be made in vegetarian version. High creativity in creating vegetarian menus is also a major concern for Me & Mom. The price of vegetarian food can be same with other food. The price is adjusted with material, production cost and cooking process. The business of vegetarian food can give high profit to entrepreneur. (Surabaya Family, 2017).

Vegetarian food can develop and grow because there is increasing demand from customer. Vegetarian food is one of customer's need that want to maintain health. Innovation should be developed in vegetarian restaurants. In increasing innovation, the entrepreneur needs high competencies in creating the many types of food. The business of vegetarian food have not been utilized optimally. This business can give high profit because the customer wants delicious and health food. The entrepreneurs can enter this business especially in Medan city. There are many potential customers of vegetarian food in Medan city.

This research is focusing at vegetarian food restaurants in Medan. People in Medan have chosen vegetarian food in many reasons such as diet purpose, healthy lifestyle and so forth. The increasing of customer demand can increase the growth of vegetarian food restaurants in Medan. The vegetarian food become important for some people in Medan. Therefore, many businesses have provide vegetarian food as part of their menu. Some restaurantss focus on providing vegeatation food. Many vegetarian food restaurants cannot survive and grow because the owner doesn't conduct the business appropriately. It needs the entrepreneurial competencies in conducting the business. The owner should entrepreneurial competencies such as making good planning and business strategy. The owner should develop various vegetarian food. The planning can be done in

determining the form, taste, colour, ingredient, size, orientation and size of vegetarian food. Business strategy of vegetarian food can be done with considering the customer behavior such as price of vegetarian food, the event and customer's preference. The failure of many vegetarian food restaurants can be caused by lack of innovation such as improvement of food quality and increasing various types of vegetarian food. The owner should have entrepreneurial competencies in providing the food based on customer's taste and expectation. The company should try to find the information of the customer's demand in order that the company can provide the good food quality.

Based on description above, the writer want to conduct the research with title “**The Impact of Entrepreneurial Competencies on Innovation at Vegetarian Food Restaurants in Medan**”.

## **1.2 PROBLEM LIMITATION**

Due to limitation of times, ability and knowledge, the writer will focus on entrepreneurial competencies as independent variable (X). The writer will also focus on innovation as dependent variable (Y). The vegetarian food restaurantss is focused on chinese food for breakfast, lunch and dinner with ingredients such as vegetable, artifical meat, artifical seafood, noodle, fried food, tofu, fruit and so forth. The food is served with rice. The research is limited only on vegetarian food restaurants owner that is having business in Medan. This research will focus on elements of entrepreneurial competencies that consists of strategic, opportunity and organizing and elements of innovation that consists of menu, marketing, process and socially responsible behavior.

### **1.3 PROBLEM FORMULATION**

Based on the background study above, the writer can take problem identification as follows : Does the entrepreneurial competencies have impact to innovation at vegetarian food restaurants in Medan?

### **1.4 OBJECTIVE OF THE RESEARCH**

The purposes in doing this research are as follows to know whether there is the impact of entrepreneurial competencies to innovation at vegetarian food restaurants in Medan.

### **1.5 BENEFIT OF THE RESEARCH**

The benefits from conducting this research are as follows:

#### **1.5.1 THEORETICAL BENEFIT**

1. For writer, this research can provide additional knowledge and experience in entrepreneurship in developing type of vegetarian restaurants
2. For researcher, this research can provide additional knowledge of variables that contribute to innovation in developing type of vegetarian restaurants

#### **1.5.2 PRACTICAL BENEFIT**

1. For the vegetarian restaurants, this research gives recommendation for entrepreneur of vegetarian restaurants in improving the business performance with implementing innovation.
2. For other types of restaurants, this research can give reference in improving food quality as the way in developing restaurants business.



3. For other researcher, this research can be used as reference to next research that related with this research topic about developing vegetarian restaurants.

## 1.6 SYSTEMS OF WRITING

The systems of writing in this *skripsi* will be as follows :

### **Chapter I : Introduction**

This chapter consists of the background of the study, problem limitation, problem formulation, objective of the research, benefit of research and systems of writing.

### **Chapter II : Literature Review and Hypothesis Development**

This chapter consists of theories as background of this research, such as definition of entrepreneurship, entrepreneurial competencies and innovation. This chapter also describes previous research, develops hypothesis, makes research model and framework of thinking.

### **Chapter III : Research Methodology**

This chapter consists of the research design, population and sample, data collection method, operational variable definition and variable measurement and data analysis method.

### **Chapter IV : Data Analysis and Discussion**

This chapter consists of general view of research object, data analysis and discussion.

### **Chapter V : Conclusion**

This chapter consists of the conclusion, the implication and recommendation of this research.