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Corporate Entrepreneurship Assessment in a Franchise Establishment: A Case Study of Sushi Tei Restaurant Bandung

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ABSTRACT

Industry development, especially in restaurant business now looks significantly growing. The significant growth of the industry means more intensive competition in this global era. This affects all the industry players and challenge them to face and win the happening competition by constantly think of something new to create. One of the things that these players can adopt is implementing corporate entrepreneurship as a tool for developing new creative ideas in order to bring the company to leading position, despite the company being a franchise which has particular ground rules. This research is focused on measuring the level of entrepreneurial activities carried out by Sushi Tei Restaurant Bandung as a franchise of the leading Japanese Restaurant in facing the industrial competition, whereas this may not have been optimally practiced before. The tool used in data analysis is Corporate Entrepreneurship Assessment Instrument (CEAI) which consists of five aspects: Management Support, Work Discretion, Reward/Reinforcement, Time Availability and Organization Boundaries. Through this research, the management of Sushi Tei Restaurant Bandung is expected to see that corporate entrepreneurship is very important and relatively affecting the company's performance by opening a chance to the entrepreneurial spirits of the employees to grow. This research is also expected to give the management an insight on how very possible it is to implement corporate entrepreneurship in a franchise company, despite all the organization boundaries, after firstly assessing the entrepreneurial performance in current situation.

Key words: CEAI, franchise, entrepreneurship

INTRODUCTION

Indonesia is one archipelago which has abundant tourism resources. Bandung, is one of its cities that is growing rapidly as a tourism destination, either it is for shopping or culinary tourism activities. Other than the traffic density of the city, the growth is indicated by the widespread of many establishments in hospitality industry, such as factory outlets, restaurants and hotels. Almost every weekend, the incoming vehicles through Bandung's main toll gate results to a long traffic jam. Hotel occupancies reach 70-75% in average and in long weekends it may reach 100% (Marimbo, 2008). Restaurants are also one of the increasing businesses in Bandung. According to Bandung Tourism Department, the total amount of dining places in Bandung up to 2008 is 303, which includes 5 bars, 121 restaurants and 177 cafes. For well-known Japanese restaurants specifically, Bandung has 10 of them.

Sushi Tei Restaurant is one of the Japanese restaurants that contribute its part to tourism and hospitality in Bandung. It is a franchise managed by PT. Sushi Tei Indonesia which company is actually originated from Singapore. With its motto "A Good Deal of Sushi", Sushi Tei Restaurants

position itself as a business entity that offers products and services with a relatively more reasonable price compared to other similar ones. The vision of Sushi Tei Restaurant Bandung is to increase the sales and revenue by always paying a good attention to customers' satisfaction and employees' welfare. Therefore, Sushi Tei Restaurant Bandung is trying to actualize its mission in increasing the service standard under the rapid competition, as well as creating competent human resources in order to fulfill the customers' expectations. As a newcomer in 2005, this restaurant needs to feature its strengths to compete with other growing restaurants.

In Sels (2008) restaurant bandung unfortunately needs to face the fact that it has failed to achieve its sales target for a few months. The problem arises due to several causes. There is the seating capacity that cannot accommodate all the customers, the employees' lack of capability in keeping all products and service consistency-which influences the customers' satisfaction and their lack of suggestive selling skills and up-selling techniques-which eventually influences the customers' buying decision and awareness of the menu. Another matter that may be the cause of this problem is the market shifting. The initial target market for Sushi Tei Restaurant Bandung is middle to high end family. However, along the way the actual market has shifted to students and young executives. Family is more feasible according to this company, because they have higher buying power compared to those who are still students and young executives. Moreover, the demands have shifted with them, Sushi Tei Restaurant needs to pay a lot of attention to the taste of Japanese food which are acceptable for their market.

To gain more customers, Sushi Tei Restaurant Bandung refuses to focus on giving discounts. To overcome the stagnancy as well as to maintain customer loyalty which is based purely on the products and services satisfaction, not only on the 'low' price, Sushi Tei Restaurant Bandung may have to make some changes through product innovation. In this case, corporate entrepreneurship is needed whereas the concerning resources can aggressively capture the rapid changes of the industry and create new products to win the market. Change, innovation and entrepreneurship describe what such successful companies do to compete (Zahra, 1996; Zahra *et al.*, 1999; Christensen and Raynor, 2003). However, as it is a franchise establishment or what is called later a franchisee, the management has to be careful in taking some courses of action in terms of changes and or innovations. Any changes often obstructed by policy constrain, which is an agreement that bonds this franchisee with the regional head office's regulations and the standard procedure that needs to be applied in every Sushi Tei Restaurants.

The policy constrain mentioned can be vary. From the internal company regulation, inventory system, to operational procedure, every decision making is closely controlled by PT. Sushi Tei Indonesia in Jakarta, which, in this case is the franchisor of Sushi Tei Restaurant Bandung. As stated in allbusiness.com, a franchise is a legal and commercial relationship between the owner of a trademark, service mark, trade name, or advertising symbol and an individual or group wishing to use that identification in a business. Each franchise business has been authorized by a parent company, or franchisor, to sell their goods and/or services either in a retail space or a designated geographical area. The franchise governs the method of conducting business between the two parties. Generally, a franchisee sells goods or services supplied by the franchisor or that meet the franchisor's quality standards (Cerminaro, 1999).

Franchise is an agreement of purchasing the right to sell products and services from a business owner. The business owner is called the franchisor or seller, while the buyer of 'the right to sell' is called the franchisee. The content of the agreement stated that the franchisor will give any support necessary to the franchisee in terms of production, operation, management and even sometimes financial. The scope of support is based on the franchisor's policy. There are franchisors that

support the franchisees from the beginning, starting from selecting the location, designing the shop, picking the tools and equipments, formulating the production process, standardizing the supply specification, recruiting and training the employees, to negotiating with the investors. There are also franchisors that support the franchisees in creating a marketing strategy as well as providing the budget (Tokuda, 2005).

In its daily operation, Sushi Tei Restaurant Bandung has a periodic visit from the audit team of PT. Sushi Tei Indonesia. The purpose of these visits is to check and control the responsibilities carried out by Sushi Tei Restaurant Bandung, whether they are in compliance with the agreement made. Other than conducting an audit, the team may also conduct some training so that Sushi Tei Restaurant Bandung can implement new programs from the head office. The agreement made between PT. Sushi Tei Indonesia and Sushi Tei Restaurant Bandung includes the standard and the uniformed system for below aspects:

- Company policy
- Menu
- Restaurant design and layout
- Purchasing, receiving and storing systems
- Inventory system
- Marketing program
- Standard operating procedure and job description
- Product preparation
- Service
- Complaint and glitch management
- Working hour
- Uniform and grooming standard

Within the situations faced by this company, one thing that can be done is to encourage the implementation of entrepreneurial activities in order to achieve the company's goal without having to break the regulations issued by the franchisor. Therefore, it is a challenge for Sushi Tei Restaurant Bandung, as a franchise establishment, to face the competition by implementing corporate entrepreneurship which reflects to as being creative and innovative, while constrained by the franchise system and standard operating procedure uniformed for Sushi Tei Restaurants around the world. Therefore, this study is aimed to discover the challenges as well as the opportunities faced by Sushi Tei Restaurant Bandung as a franchise establishment in implementing entrepreneurial principles.

BACKGROUND THEORY

Kuratko and Morris (2002) mentioned that external business situations need to be faced by internal changes and focused on the competitive advantages. According to them, it cannot be done only by cost reduction, quality improvement, or good services but more to the adaptability, flexibility, speed, aggressive and innovative behaviours, which all five can be interpreted as entrepreneurship.

Kuratko and Morris (2002) added that entrepreneurship is about resources, corporation, human resources, changes, innovation, value and growth. Combining the entrepreneurial behavior with business strategy and organization development within an organization is Corporate Entrepreneurship. The implementation of corporate entrepreneurship in an establishment needs

to be done in order to face the competition which is inevitable for all industries. Therefore, it is the management's responsibility to create the environment among the employees.

Other than that, Ferreira (2002) in 'Corporate Entrepreneurship: A Strategic and Structural Perspective' said that corporate entrepreneurship nowadays is needed for developing the innovative capability of the employees as well as increasing the success of the company through the creation of new ventures. Corporate entrepreneurship becomes very important to be implemented in facing the competition for an organization also the dynamic development of global industry.

Thornberry (2006) in 'Lead like an Entrepreneur' stated that entrepreneurship needs balance between the interactions of three interrelated components. In details, Thornberry (2006) shows a model created by Thornberry (2006). The Balancing Act Model, that shows the balance between The Opportunity, The Team or the organization itself and The Resources or the competencies that are necessary in running the organization. The balance of those three components is necessary for an entrepreneurship to be successful. Translated from the theory, below is the logical framework of corporate entrepreneurship in Sushi Tei Restaurant Bandung:

Figure 1 shows the Balancing Act Model or the Corporate Entrepreneurship framework in Sushi Tei Restaurant Bandung. The Opportunity is translated as the customers, The Organization is Sushi Tei Restaurant Bandung and The Resources are the main competencies within the organization which were highlighted as the ones controlled by Sushi Tei head office.

Internal factors in a company play a great role in the implementation of entrepreneurship. As one of the supports for a success implementation, it is also necessary for all components in a company or organization to create the corporate entrepreneurship culture and environment inside. Corporate entrepreneurship according to Pinchot (1999) is the development of new ideas in the company business that is done by each and everyone involved. Through that, corporate entrepreneurship can also be defined as a company culture in accommodating and encouraging the people involved in the company to always create new ideas which are valuable for the company growth and sustainability.

Kuratko *et al.* (2001) that corporate entrepreneurship activity in a growing company will result to various products and markets and will become an instrument in making a good financial performance. From previous researches, it is acknowledged that corporate entrepreneurship is directly correlated with revenue and profit increase (Zahra and Covin, 1995; Zahra and Garvis, 2000).

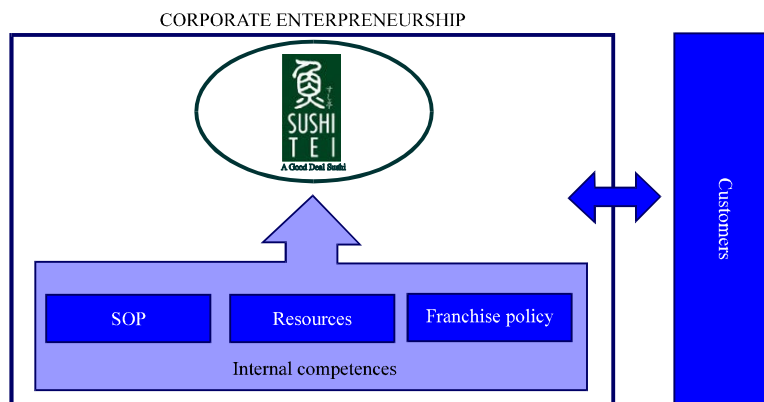


Fig. 1: Corporate entrepreneurship framework in Sushi Tei Bandung

RESEARCH METHODOLOGY

This research is conducted using Corporate Entrepreneurship Assessment Instrument (CEAI) as the tool for questionnaire. CEAI was formulated by Hornsby *et al.* (2002) and consists of 5 following components:

- Management support for corporate entrepreneurship
- Work discretion
- Reward/reinforcement
- Time availability
- Organizational boundaries

To measure the level of corporate entrepreneurship in Sushi Tei Restaurant Bandung questionnaires were distributed to the employees and the options for answers were designed using Likert scaling between 1 (Strongly Disagree) and 5 (Strongly Agree). The level of corporate entrepreneurship was observed through 5 components above and translated into 48 questions. In order to overcome the bias response, the instrument was also set with 11 points of contradictory statements.

The total sample taken for filling in the questionnaires is 33 people, which is 58% of the total employee population in Sushi Tei Restaurant Bandung. The questionnaires were distributed to all employees, however only some return them back. The respondents were given a week time to fill in the questions until they finished and satisfied with their answers. In organizational level, Corporate Entrepreneurship Assessment can be used as a tool for setting a benchmark of entrepreneurial performance level, building norms, setting an entrepreneurial target, building strategy and measuring the correlation between entrepreneurial activities and the variables of company performance.

A measurement scale is considered valid when it is used to measure what should have been measured (Astuti, 2005). Validity test in this research is done by comparing the value of r with predetermined table r and supported by SPSS 12.0 statistic software. Questionnaires are considered valid if the value of r is higher and equal to the predetermined Table r . Reliability of research instrument shows the consistency and stability of particular measurement scale result. Reliability is tested by using the correlation test of Cronbach's Alpha. Cronbach's Alpha is a reliability testing technique for tests or questionnaires which answers consist of options (Astuti, 2005). Nunnaly in Ghozali stated that one variable is considered valid if the result or value of Cronbach's Alpha is higher than 0.60 (Ghozali, 2001, 2010).

Hornsby *et al.* (2002, 1999) stated that the Cronbach's Alpha for each aspect in the Corporate Entrepreneurship Assessment Instrument are as follows:

- Management support for corporate entrepreneurship: 0.890
- Work discretion: 0.870
- Reward/reinforcement: 0.650
- Time availability: 0.770
- Organizational boundaries: 0.640

In the current study, the Cronbach's Alpha coefficients for the instrument are shown in Table 1.

Table 1: Cronbach's alpha for corporate entrepreneurship assessment instrument in sushi Tei restaurant bandung

Variables	Cronbach's alpha
Management support for corporate entrepreneurship	0.844
Work discretion	0.719
Rewards/reinforcement	0.738
Time availability	0.832
Organizational boundaries	0.840

Table 1 shows the reliability of the instrument used to assess the level of entrepreneurship in Sushi Tei Restaurant Bandung. Similar to the result reported by Hornsby *et al.* (2002), the Cronbach's Alpha for Management Support for Corporate Entrepreneurship in this study reaches the highest result above the rest with $\alpha = 0.844$. However, instead of Work Discretion, the Cronbach's Alpha coefficient in this study which reaches the second highest is Organizational Boundaries with $\alpha = 0.840$ and the lowest one is shown as the result for work discretion with $\alpha = 0.719$.

RESULT AND DISCUSSION

Figure 2 below, it is shown that the most outstanding result of Corporate Entrepreneurship is the management support for corporate entrepreneurship, which is 3.27. Although, the overall result is only average, the management of Sushi Tei Restaurant Bandung has shown their encouragement towards implementing entrepreneurial activities in the company.

Another two factors of corporate entrepreneurship which have the results slightly above average are time availability with a point of 3.07 and Rewards/Reinforcements with 3.10 which indicate that based on these points, Sushi Tei Restaurant Bandung may have an opportunity to create an entrepreneurial environment in its current situation. Unfortunately, there are two factors which shows below average result and may apparently be the biggest challenge for Sushi Tei Restaurant Bandung in implementing corporate entrepreneurship. Those two factors are Organizational Boundaries which shows the result of 2.45 and Work Discretion which only reached 2.95. Both of these factors are really in contradictory with the condition needed by a company in its effort to implement corporate entrepreneurship.

Having low results for organizational boundaries and work discretion really indicates the limitation of Sushi Tei Restaurant Bandung in building entrepreneurial activities as a franchise establishments. Every bit of the aspects involved in it has to follow the policy and regulation issued by the head office. They also reflect that the employees do not have any liberty to explore new things other than what they have been told before. The result shows that there are still some improvements needed to be done in order for Sushi Tei Restaurants Bandung to be able to face the competition by continuously making innovation, or in other words, by optimizing its resources in implementing corporate entrepreneurship.

Figure 3-7 show how the aspects of Corporate Entrepreneurship in Sushi Tei Restaurant Bandung are viewed in a more detailed manner:

- Management Support for Corporate Entrepreneurship in Sushi Tei Restaurant Bandung

Figure 3 shows that on a scale of 1-5, the management support for corporate entrepreneurship in general generates the value for 3.27, which indicates that the perception of employees regarding

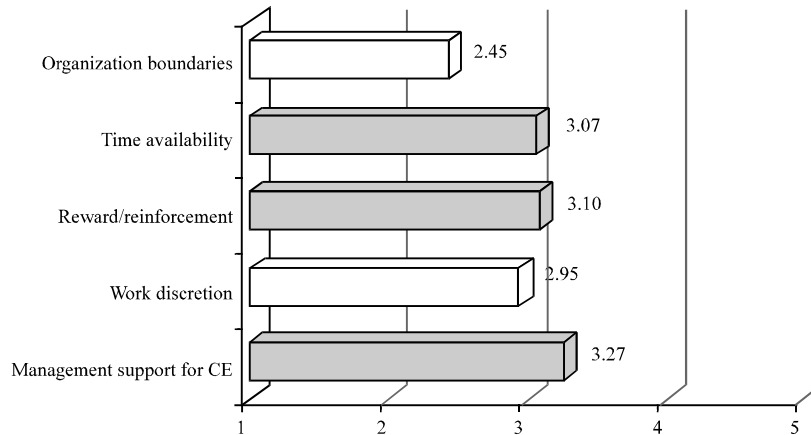


Fig. 2: Corporate entrepreneurship assessment result in Sushi Tei restaurant Bandung

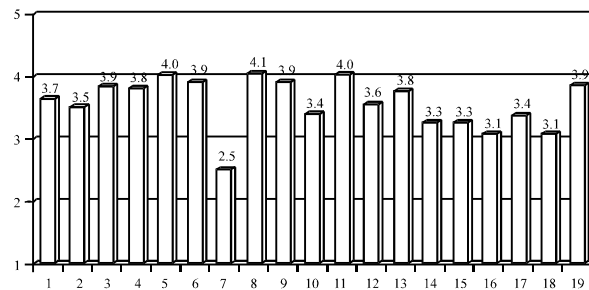


Fig. 3: Management support in Sushi Tei restaurant Bandung

this aspect is still on the verge of doubt but little was headed toward a fairly good. The most prominent aspect is shown from question No. 8 "senior managers encourage innovators to bend rules and rigid procedures in order to keep promising ideas on track" which shows the value of 4.1 or agreed. Thus it can be said that regardless of any rules, or in this case the Standard Operating Procedures, the management has actually show that 'innovators' in Sushi Tei Restaurant Bandung are supported. This may also means that the management is "bending the rules" in accordance with the character in the implementation of corporate entrepreneurship to achieve a positive goal. They have provided an opportunity for employees to think creatively to develop new ideas in order to improve their performance as well as the company's.

In the contrary to the above, one striking point is the question No. 7 "the 'doers' on projects are allowed to make decisions without going through elaborate justification and approval procedures" which shows the smallest value of 2.5 or disagree. It shows that all activities must follow the procedures already in force and the employees are not allowed to do new things that have not become a firm determination. New things and ideas need to go through a long bureaucratic procedure and it takes a long time to be realized.

WORK DISCRETION

Figure 4 shows the score for Work Discretion in Sushi Tei Restaurant Bandung. There is something good in this aspect that has already been shown and felt by the employees, that is their

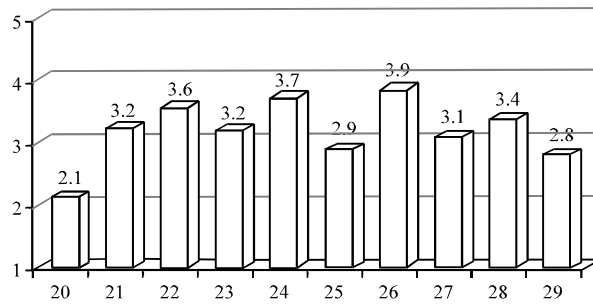


Fig. 4: Work discretion in sushi tei restaurant bandung

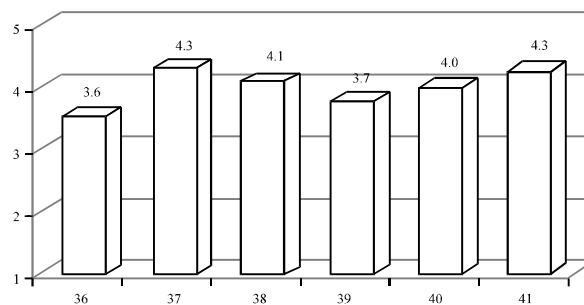


Fig. 5: Rewards/reinforcements in sushi tei restaurant bandung

acknowledgment of their own responsibilities. It is indicated by the question No. 26 "it is basically my own responsibility to decide how my job gets done" which shows the value of 3.9. In addition, the employees are already given the opportunity to do a job that suits their skills, as seen in question No. 24 "this organization provides the chance to do something that makes use of my abilities" that shows the value of 3.7.

However, there is one highlighted point that shows a very low score which is indicated from question No. 20 "I felt that I am my own boss and do not have to double check all of my decisions with someone else" which resulted 2.1 or disagree. This means that the decision making process at Sushi Tei Restaurant Bandung is focused on the management and the employees are not allowed to make decisions without getting approval from their superiors. This applies also to the management where all decisions need to be based on the provisions of the company, or the approval of the Board of Directors and head office PT. Sushi Tei Indonesia.

REWARDS/REINFORCEMENT

Figure 5 shows that on the scale of 1-5, Rewards/Reinforcements aspects are valued above average. There is a question that show the smallest value of 3.6, that is the question No. 30 "my manager helps me get my work done by removing obstacles and roadblocks". However, the value is already above the average of 3, which means the implementation of management functions in support of its employees was headed toward a fairly good.

There are two questions that have the highest score, those are question No. 31 "The rewards I receive are dependent upon my work on the job" and question No. 35 "there is a lot of challenge in my job". These scores and answers are aligned with the Work Discretion that indicates the employees responsibilities toward their jobs. Given the job responsibilities, employees are challenged

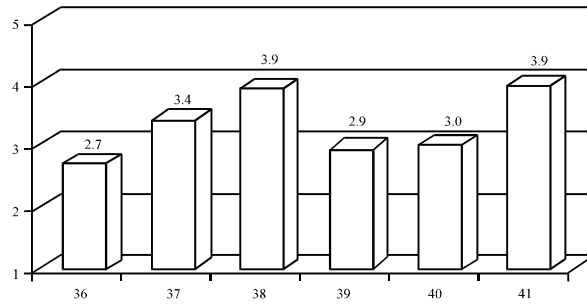


Fig. 6: Time availability in sushi tei restaurant bandung

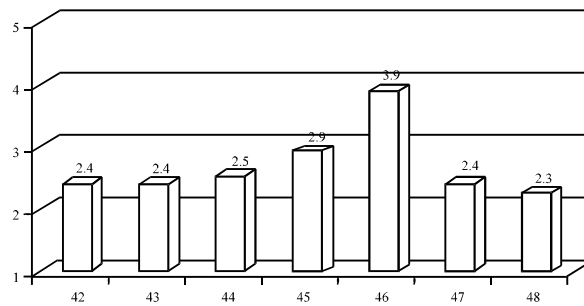


Fig. 7: Organizational boundaries in sushi tei restaurant bandung

to complete their work thoroughly. This may also stimulates them to innovate or think in ways that are efficient to ease the process of their work. Rewards are given to provide motivation and for them to continue the process and develop new ideas with enthusiasm.

TIME AVAILABILITY

Figure 6 above, it is seen that the overall score for Time Availability is slightly above average. In real, the employees of Sushi Tei Restaurant Bandung use their available time to double check the operational routines. They use it to check the accuracy of the standard recipe, completeness of the materials or raw materials required for cooking, or to check the cleanliness of the work environment. Other than that, the available time in between their working hours oftenly used for taking a break.

This is indicated by the questions No. 38 "I always seem to have plenty of time to get everything done" that scored 3.9 or good enough and No. 41 with the same value "my coworkers and I always find time for long-term problem solving". The problem in this context is a problem faced by the employees in daily operations. They seldomly use their available time to create or develop new ideas, regardless the plenty of time they have. This is in accordance with the reverse question No. 36 "during the past three months, my workload kept me from spending time on developing new ideas" that shows the smallest score of 2.7.

ORGANIZATIONAL BOUNDARIES

Figure 7 shows that Organizational Boundaries resulted the smallest of all aspects. The question resulted the smallest score is the reverse question No. 48 "I clearly know what level of work performance is expected from me in terms of amount, quality and time lines of output". It is

closely related to the question No. 29 in Work Discretion aspect regarding the strong influence of the Standard Operating Procedure. Other than that, it is also supported by the question No. 43 “there are many written rules and procedures that exist for doing my major tasks” which resulted a score of 2.4.

CONCLUSION

Based on the result, the conclusion of this assessment may be drawn by saying that as a franchise establishment, Sushi Tei Restaurant Bandung has not been able to implement corporate entrepreneurship thoroughly. It is shown from the score rated by the employees that most of the influencing factors in Corporate Entrepreneurship only reaches around average points. Although the score is just slightly above the rest, the highest point lies on the Management Support for Corporate Entrepreneurship. This means that the opportunity for the employees to develop some new entrepreneurial ideas has relatively given by the management of Sushi Tei Restaurant Bandung. Other than that, the employees’ efforts and dedications has been given quite a meaningful appreciation, shown by the Rewards/Reinforcement aspect that reaches slightly above average point.

It is unfortunate that Time Availability resulted in a lower point, as well as Work Discretion and Organization Boundaries which moreover reached below average points. These are closely related to the fact that Sushi Tei Restaurant Bandung has to honor the franchise policy and uniformed SOP issued by the franchisor and head office. However, that does not mean that corporate entrepreneurship cannot be implemented in this company. On the other hand, the management of Sushi Tei Bandung can evaluate the assessment result further and identify the aspects that need some improvements. Therefore, they can initiate some entrepreneurial activities without having to break the franchise agreements. These activities, may give a lot of advantage for Sushi Tei Restaurant Bandung in facing the rapid competition of the restaurant industry.

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