



## Creating New Independent Entrepreneurs based on Partnership: Case Study on O'Chicken Partnership

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### **Abstract**

The objective of this research is to analyze new independent entrepreneurs based on partnership through case study on O'Chicken partnership. The research design is a qualitative research using descriptive approach. The research technique is case study that takes partnership case with O'Chicken. The results showed that commitment which is calculated very carefully and the partnership developed by O'Chicken towards those who work with O'Chicken will create a business environment where the core company is able to produce business opportunities that to create new entrepreneurs who want to partner with this core company. In the case study conducted at O'Chicken, it has basic standards that must be met for partners who want to open a new business; among them is having a vision and mission that is in line. Meanwhile, in the application of the partnership program, O'Chicken runs an excellent quality control in which the partners are given training so that service quality owned by the core company is the same as service quality that the partner provides to consumers. The training is given by Chef O'Chicken directly to the new partner—in this case the owner of the outlet—which is then passed on to the employees that they employ.

**Keywords:** Business; O'Chicken; Partnership

### **Introduction**

In modern business economic activities, limited resources in the form of limited funds or limited skills affect the decision making of an entrepreneur/ businessman in terms of capabilities and competence in business competition. These limitations can be resolved through two aspects: internal factors which include research and development institutions, HR capabilities, HR development, and technology and external factors which include partnerships in capital and interactions with external parties (Sulistyo & Adiatma, 2011).

The partnership exists as an alternative that can be offered in business development strategies which are considered as a strategy that has a “competitive advantage” compared to other strategies.

Changes in the fast-moving business environment affect business growth and competition leading to the need for partnership programs (Grundey & Daugelaite, 2009).

Sucipto *et al.*, (2015) states that efforts to solve problems require more attention and concentration. One of them is conducting a partnership program between fellow economic actors themselves. Until now, the existence of the partnership program is expected to bring together those who have business capital but do not have skills and those who have skills and resources but do not have business capital so new entrepreneurs will be created. In other words, the partnership is expected to be a solution that bridges the capital owner with the manager.

The partnership program aims to develop the capabilities of small and medium scale entrepreneurs so that they can be independent and develop through capital support and training support in improving or developing their human resources. So, this will produce professional resources and skills to support sustainable marketing and business activities in the future.

Through the implementation of a partnership system, it is expected that small and medium scale entrepreneurs who only have capital with limited human resource skills and human resources can be supported by partners such as companies and institutional institutions with financial capital, technology, information and market certainty, management, and information on running a business. The endorsement will get reciprocity in the form of the availability of the product desired by the partner with all its provisions in terms of quality and quantity with the implementation of the production process with certain provisions or Standard Operational Procedure (SOP).

The implementation of the partnership is able to guarantee the profit-sharing market for small and medium entrepreneurs, intensive higher prices, reduce production costs, ensure price certainty, increase income, increase knowledge about cultivation through coaching, increase productivity, and manage product prices better and easier accepted by the market.

The partnership itself is stated in General Provisions Government Regulation No. 44 of 1997, especially in Article 1 which states that partnerships are business cooperation between small and medium-sized businesses and/or large businesses by taking into account the principle of mutual need, mutual strengthening and mutual benefit. In addition, according to Law No. 9 of 1995 concerning Small Business Article 1 paragraph 8, partnership is a business collaboration between small businesses and medium businesses or large businesses accompanied by coaching and development by medium businesses or large businesses by paying attention to the principles of mutual need, mutual reinforcement, and mutual benefit.

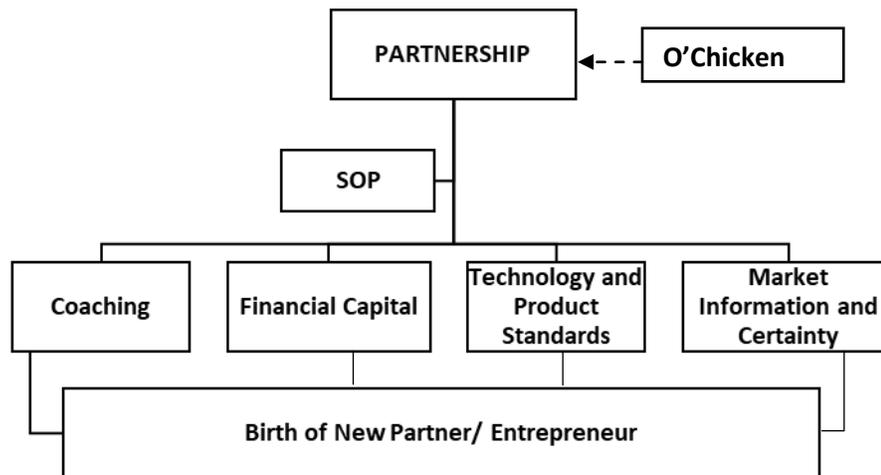
Partnership is a strategy or method that is suitable in a company if an individual wants to do business development/ business expansion. Enforcement of this partnership strategy is also carried out in the culinary business as run by O'Chicken. O'Chicken is one of the middle-class businesses that uses partnership to develop their business. As a plasma core pattern, O'Chicken acts as a large business that fosters and develops small businesses. O'Chicken also runs a sub-contract pattern that gives small businesses (partners) the flexibility to produce components belonging to large business (O'Chicken).

O'Chicken also expanded its business by entrusting small businesses to sell their products. O'Chicken grants the right to small businesses (partnering parties) to use intellectual property rights or the right to business in the form of trademarks.

Since its establishment, O'Chicken only has 2 outlets (privately owned). However, through the partnership channel, O'Chicken creates their own network in terms of partnership. The number of O'Chicken outlets that have become O'Chicken partners is around 132 outlets (2019) which were

previously only 87 outlets (2017). In other words, the total of 130 existing O'Chicken outlets is the result of cooperation (partners) while the 2 outlets are managed by O'Chicken itself.

Based on the background of the research writing above, the following is the development of the thinking framework:



**Figure 1. Thinking Framework Model**

Some dominant indicators in the partnership program are guidance/ supervision. In addition, it will be more effective if it is in an ideal business environment to create improvements in communication, and reciprocity between partners (Sucipto *et al.*, 2015).

Implementation of a comprehensive partnership system ideally will increase the welfare and competitiveness of small- and medium-scale entrepreneurs (Saefullah & Mukti, 2017). Regardless of how the partnership practices and activities are carried out within the scope of business in general and based on the existing background, the writing of this research is more oriented about how the impact of implementing a partnership program that affects the business environment in giving birth to new entrepreneurs.

## **Methodology**

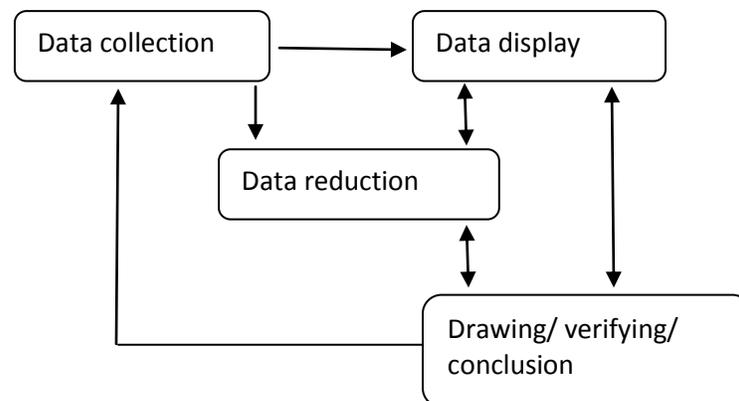
The research design is a qualitative research through a descriptive approach. Qualitative research method is research method based on positivist philosophy used to examine the condition of natural objects. In this case, researchers are key instruments. Data collection technique is carried out by triangulation, data analysis is inductive/ qualitative, and qualitative research results emphasize meaning rather than generalization (Sugiyono, 2009).

The research technique used in this research is a case study that takes a partnership case at O'Chicken. The case study technique is a descriptive research that aims to provide a background for the present situation and environmental interaction of a social unit in more depth (Noor, 2008).

In this study, the data collection technique was carried out using interview, observation and documentation. An interview is a conversation with a specific purpose. The conversation was carried out by two parties: the interviewer who asked the question and the interviewee who provided the answer to the question (Moleong, 2006:). In addition, the observation is observatory-participatory in which the researcher makes direct observations and interacts with those who carry out the partnership program.

In the technique of collecting data in the form of documentation, this research uses other scientific writings as a basis for constructing thoughts on the subject under study, and documentation in the form of a track record of the partnership program that O'Chicken runs as the research object.

The data analysis technique used in this research is qualitative analysis. In this case, the data collected through interviews, observations, and documentation (Mihis, 2019). with the following stages: data collection, data reduction, data display, drawing/ verifying/ conclusion.



**Figure 2. Research Model**

The objective and approach in this research are how to draw relevant points between the literature and theories related to the impact of partnerships on the emergence of new entrepreneurs and their relationship by taking O'Chicken as the research object that has applied these theories with the intent of obtaining deeper understanding related to the research subject.

## **Results**

### **Research Object (O'Chicken)**

O'Chicken is one of the middle-class businesses that uses partnership patterns in developing its business. It was established in October 2012 as part of the business group PT Mumtaz El-Hakim Perkasa. It began with the business of an herbal organic chicken farm of "Herbal Chick" in Kiara Pedes Wanayasa Village, Purwakarta, West Java. O'Chicken or Organic Chicken is a Kentucky-style chicken outlet based on herbal organic chicken.

Basically, the goals built by O'Chicken are very different from the business concept that is run by several business parties in general. It is not only business oriented by providing quality products to the community, but also social goals where O'Chicken invites young entrepreneurs to develop food businesses in Indonesia. O'Chicken gets direction to keep going on the track of their business goals in

terms of creating young entrepreneurs who are reliable, tough, and successful. In addition, their mission in developing their business is (1) opening employment opportunities to the community to do culinary business or organic food-based restaurants, (2) opening opportunities for the community to market organic chicken and its derivatives through internal restaurant networks, supermarkets, agencies or individuals, (3) continuously creating various types of healthy foods made from chicken or organic meat.

It began to establish in 2014 around the Jakarta area precisely in the Jagakarsa area. Now, O'Chicken's culinary business has opened branches to Kalimantan, Sumatra, Sulawesi, and Bali. The simple business concept of the product gets a pretty good appreciation from the community which sells processed chicken ingredients that have been the people's favorite food.

At the beginning of its establishment, O'Chicken only has 2 (privately owned) outlets. However, through the partnership channel, O'Chicken established their network in terms of partnership. They have explored almost all parts of Indonesia especially Central Indonesia and the regions of Western Indonesia.

The number of O'Chicken outlets that have become O'Chicken partners is around 132 outlets (2019), which were previously only 87 outlets (2017) where they are spread in Western and Central Indonesia.

It means that the 130 O'Chicken outlets currently available are the result of cooperation (partners), while the other 2 outlets are owned by O'Chicken. In fact, O'Chicken currently has partners in big cities in Sumatra (South Sumatra, West Sumatra, Bengkulu, North Sumatra, Jambi and Pekanbaru Riau), and Java (Bandung, East Java, Banten, West Java, Bekasi, Bogor, Depok and Tangerang). This phenomenon of development was achieved only with a short amount of time in the last 4 years.

### ***Partnership Program (O'Chicken)***

In determining the party to be a partner, O'Chicken usually provides assertiveness to its partners. General requirements that refer to the principle of O'Chicken's vision and mission are that the partners are ready to be directly involved in business operations, have an interest in the culinary field, are willing to follow all the mechanisms and rules of operational procedures in running a joint venture with O'Chicken, have funds, and have a potential location to be an O'Chicken outlet. These prerequisites required by O'Chicken become an important step in maintaining O'Chicken business continuity going forward.

The commitment of the partnership built by O'Chicken, to those who collaborate with O'Chicken, is very calculated. In addition to meeting the general requirements stated in the description of O'Chicken's mission, O'Chicken certainly has special conditions for those who partner; for instance, in terms of raw materials. The partner must accept the conditions from O'Chicken. In this case, the partner must purchase raw materials directly from O'Chicken. There are concerns that raw materials purchased by other parties from outside parties (other than O'Chicken) may affect the quality and quality of the product.

Financial management for each of its partners is also considered by O'Chicken. In principle, as the core party of the partnership, O'Chicken certainly has to know the turnover of each of their partners to facilitate the oversight process. On the other hand, O'Chicken's step in building partnerships is carried out by conducting field survey. According to O'Chicken Manager, Redia Frisna Rista, "the field survey will be carried out by O'Chicken". Furthermore, according to her, this is aimed at making the selection of the place of establishment of the Outlet appropriate to O'Chicken's expectations and not to become a scourge of problems in the future for the partners.

In addition, to maintain the authenticity and similarity of products to O'Chicken products in terms of quality and taste, O'Chicken provides training services for its new partner employees. This is performed to equalize and maintain the taste of the chicken they sell. This process begins with training conducted by the partner of the outlet owner and then followed by their workers. The training will be conducted directly by O'Chicken chef. The purpose of this training is that the owner of the outlet has a minimum of expertise in helping O'Chicken in quality control and efficient use of materials.

Furthermore, according to O'Chicken Manager, the next requirement for partners who intend to collaborate with O'Chicken is the payment of outlet rental that will be owned by the partners. Whatever franchise investment package is chosen, partners will have a working period of 2-3 years in accordance with the package chosen and can be extended at a cost discussed later (<http://ochicken.co.id/>).

Payment of investment / outlet rental by partners is done with a standard of 85%. In more detail, O'Chicken outlet rental fees are based on the outlet level. On the Master Outlet scale, partners are required to pay a rent of IDR 500 million. The expensive scale of the Master Outlet is that the partner is also given the right to use the name O'Chicken and mentoring for 5 years in the region. The fees charged to the Master Outlet are intended for: restaurant packages (IDR 340 million), cashback in the form of shopping vouchers (IDR 25 million), training, coaching for 5 years (IDR 65 million), and 5-year ownership rights (IDR 70 million). Unlike the Master Outlet, the Resto Scale that the partners want to rent, of course, has a relatively low price of around IDR 250 million. Low costs certainly have a deadline when it comes to using the name O'Chicken. The assistance was also very short, only for 3 years. The fee is intended for: Resto package (IDR 200 million), cashback in the form of shopping vouchers (IDR 20 million), training, and coaching for 3 years (IDR 30 million) (source: <http://ochicken.co.id/>).

Meanwhile, for the Mini Resto Outlet scale, the partners must pay outlet rental at a cost of IDR 210 million, with the provisions of the right to use the name O'Chicken and assistance for 3 years in the region. The fee is intended for: Mini Resto package (IDR 170 million), cashback in the form of shopping vouchers (IDR 15 million), training, and coaching for 3 years (IDR 25 million). Another thing to remember is that O'Chicken has outlets that are ready to be rented at a low cost. That is Take Away with an outlet purchase fee of IDR 110 million with the right to use the name O'Chicken and 3 years of assistance in the region. In addition, there is a Mini Resto package (IDR 88 million) with cashback in the form of shopping vouchers (IDR 7 million), training and coaching for 3 years (IDR 15 million).

In principle, O'Chicken has advantages that determine the future business development. Partners are required to buy raw materials to the core company. In this collaboration, partners will also be given training on how to make crispy chickens and operate a business. On the other hand, there is a delivery of equipment by O'Chicken, employee training and preparation for opening an outlet. Assistance will be carried out according to the contract period by O'Chicken to partners. In addition, active communication will be carried out continuously between O'Chicken and its business partners. By implementing a number of suggested business partnerships (franchising) given by O'Chicken, partners can regain their capital within 2-3 months.

However, before going further to partner with O'Chicken, the written terms of the MOU must definitely be agreed upon by fellow partners (O'Chicken and its partners). After that, the partner will be given usage rights on behalf of O'Chicken when they have paid the contract fees that have been determined by O'Chicken and agreed by the partners.

## ***Discussion***

The results were obtained by looking at how the effect of the partnership program on the emergence of new entrepreneurs. In this case, O'Chicken has become a core company to create opportunities for new entrepreneurs so that they can be present in the competition of the culinary business in Indonesia. The results showed that the commitment calculated very carefully related to the partnership developed by O'Chicken towards those who collaborate with O'Chicken can create a business environment where the core company is able to generate opportunities in giving birth to new entrepreneurs who want to partner with the core company.

Various review examined in this study indicate a positive relationship between partnership program and opportunity and small and medium scale business activities. In application, the use of O'Chicken as the research object shows that there is still room in improving the quality of partnership program so that the program can be applied in a more effective and efficient way.

In addition, from the results of the research, there are several factors that have a significant effect on the performance of the activities of the partnership program and its impact in giving birth to new entrepreneurs. In this case study, O'Chicken has basic standards that must be met by partners who want to open new businesses, including having a vision and mission that is in line. Meanwhile, in its application, the partnership program carried out by O'Chicken performs excellent quality control in which partners are given training so that the service quality owned by the core company is the same as the service quality provided by partners to consumers. Training is given by O'Chicken chef directly to the new partner; in this case, the owner of the outlet which is then forwarded to the employee. This is proven to be able to maintain the service quality owned by the partners which is in accordance with the service quality provided by the core company.

It is not only quality control in service aspects, O'Chicken also maintains product quality by using organic products, location, and financial management in accordance with O'Chicken standards.

The partnership variable has a significant effect on the growth performance and development of O'Chicken's own business which also directly influences each other with the increasing number of entrepreneurs in the culinary field who become partners. Some dominant indicators in influencing the success of partnerships in creating new partner/ entrepreneurs are quality control on product standards, funding, environment and services so that a synergy in communication between partners is created.

## ***Conclusion***

Basically, the goals built by O'Chicken are very different from the business concept that is run by several business parties in general. O'Chicken gets direction to stay on track with their business goals in terms of creating young entrepreneurs who are reliable, tough, and successful. In addition, the mission they carried out in developing their businesses included (1) opening employment opportunities for the community to do culinary business or organic food-based restaurants. (2) opening up opportunities for the community to market organic chickens and their derivatives through a network of internal restaurants, supermarkets, agencies or individuals, (3) creating various types of healthy foods made from chicken or organic meat continuously.

The results of the study show that commitment that is calculated very carefully about the partnership built by O'Chicken with those who work with O'Chicken can create a business environment where the core company is able to generate business opportunities and to create new entrepreneurs who want to partner with companies the core. In the case study conducted at O'Chicken, O'chicken has basic

standards that must be met for partners who want to open a new business, including having a vision and mission that is in line. In addition, in its application, the partnership program run by O'Chicken performs excellent quality control where partners are given training so that the quality of services owned by the core company is the same as the quality of services provided by partners to consumers. Training is given by O'Chicken chef directly to new partner; in this case, the owner of the outlet is then forwarded to the employees.

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