

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Competition in business is very competitive because every company is competing in maintaining customer loyalty and satisfaction to expand business networks, because customers are an important asset in a business. Making customers become loyal and want to come back again to buy will be even more difficult than finding customers to buy products for the first time. To retain customers and make them loyal to the business, companies must make quality products and innovate.

Furthermore, more customers companies have, the company must know how to keep its old customers. One way to win the competition in business is to innovate. However, a successful innovation depends on the company's ability to create a new and innovative business model. Today, many companies focus on developing new products and services to create significant innovation. Business model innovation is one of the key factors in the success of a business. Business model innovation is not something easy, it requires time, and significant resources. Business model innovation is necessary in business due to the everchanging business environment. Companies that are unable to adapt quickly will find it difficult to compete in a competitive market. Consumer changes, new technologies, intensified competition, regulatory changes and changes in the business environment can affect a company's business model. Business model innovation can help companies meet evolving customer needs, utilize new technologies, and improve their financial performance. Business model innovation has become an important driver of success in today's dynamic and competitive business world. Companies will continue to look for ways to create, capture and deliver value to customers in new and sustainable ways.

One approach that can be used to get innovative solutions is the design thinking approach. Design thinking can be used to identify customer needs, analyse markets, and develop more effective business models. Design thinking is a human-

centred approach to problem solving and innovation, has gained significant attention as a methodology that can foster creativity, collaboration and customer centricity in the innovation process. Design thinking not only focuses on products and services but can also be used to plan a process and strategy in an organization.

Design thinking is one of the methods used by companies to develop innovations for the better. This method uses user experience that focuses on understanding customer needs and wants. The key to successful design thinking is adapting to uncertainty, working with others, iterating quickly based on feedback.

According to Plattner et al. (2009), the design thinking process consists of six process steps with iteration loops. Understanding, observing, defining problem, finding ideas, developing prototypes and testing (Roterberg:2018). Whereas Time Brown CEO of IDEO (2008) said design thinking is a process used in the creation or to create innovative new ideas that can solve problems. This method is made in order to meet the needs of end users or consumers, to the feasibility of strategy and business so that it can turn it into customer value and market opportunities.

In the development of better business solutions is to understand what customers need and solve the problems they need effectively. By using this approach, companies or organizations can better understand the needs of customers or users and can develop more relevant and effective business solutions.

Design thinking can be applied in various fields including business model innovation. In the context of business, business model innovation refers to the way companies create, deliver, and capture value for customers and other stakeholders. Successful business model innovation can help companies improve efficiency, growth, and strengthen their competitive position in the market.

PT. Riau Andalan Pulp and Paper (PT. RAPP) is a company engaged in the pulp and paper industry in Indonesia. As a company operating in a competitive and growing industry, PT. RAPP is required to continuously create innovations in their business model in order to maintain a competitive advantage and face the challenges of a rapidly changing market. One approach that can help PT. RAPP in creating innovation is the application of Design Thinking.

However, while design thinking offers great potential, not all design thinking implementations result in successful business model innovations. Several factors may influence the outcome of a design thinking implementation, and this is what motivates this research. One factor that may play an important role is the creativity of kaizen teams.

The kaizen team, which represents the continuous improvement approach adopted by PT. RAPP, is a group of individuals with different backgrounds and knowledge. The creativity of kaizen teams can make an important contribution to the business model innovation process, through new ideas, cross-disciplinary thinking, and the ability to solve problems in innovative ways.

One factor that may act as a mediating variable is the creativity of the Kaizen team. Kaizen Team refers to the ability of PT. RAPP teams to generate, combine and develop new and original ideas in the context of Design Thinking implementation. Kaizen Team plays a key role in linking creative thinking and innovative solutions with the application of Design Thinking and the end result of business model innovation at PT. RAPP.

This study seeks to investigate the effect of design thinking application on business model innovation at PT. RAPP, with the aim of understanding how design thinking can contribute to the development of innovative business models in this specific context.

## **1.2 Formulation of Problem**

The following is how the problem formulated in light of the study that presented in the context earlier:

1. Does Design Thinking have a positive and significant influence on business model innovation?
2. How does Design Thinking influence the creativity of the Kaizen team?
3. Does Kaizen team have a positive and significant influence on business model innovation?
4. Does Design Thinking have a positive and significant influence on business model innovation through Kaizen team creativity as a mediating variable?

### **1.3 Purpose of the Study**

The study aims to explore how the application of design thinking principles and methodologies can potentially influence and impact the process of business model innovation at PT. RAPP, a specific organization or context.

Based on the background above the specific purposes of this study can include:

1. Evaluating the Effect of Design Thinking on Business Model Innovation.
2. Measuring the Effect of Design Thinking on Kaizen Team Creativity.
3. Evaluate the Effect of Kaizen Team on Business Model Innovation.
4. Examining the Effect of Design Thinking on Business Model Innovation through Kaizen Team Creativity as a Mediating Variable.

### **1.4 Significances of study**

1. For the author

Conducting study on a significant topic such as the effect of design thinking on business model innovation can be personally fulfilling for the author. It allows them to pursue their academic interests, explore new ideas, and contribute to the advancement of knowledge in their field of expertise. It can also provide a sense of accomplishment and satisfaction in making a meaningful contribution to the academic and professional community.

2. For the university

Successful study on the effect of design thinking on business model innovation can also foster a culture of innovation within the university itself. It can encourage faculty, researchers and students to adopt design thinking principles in their study, teaching and other academic activities, leading to a more innovative and dynamic academic environment.

3. For the company

The study has practical significance for PT. RAPP and the pulp and paper industry by providing insights into the potential benefits and implications of applying design thinking in the context of business model innovation. The findings of the study can understand the role of Kaizen Team as a mediating

variable, organizations can identify factors that influence the successful implementation of design thinking and design appropriate strategies to encourage successful innovation.

### **1.5 The scope and limitations of problem**

The scope and limitations of a study are important aspects to consider when defining the boundaries and context of the study problem. Here are some possible scope and limitations for a study on the effect of design thinking application on business model innovation at PT. RAPP:

In order not to expand the problems in the research, the scope of this research is determined as follows:

1. This research is focused on PT. RAPP, a pulp and paper industry company in Indonesia.
2. This research focuses on the application of Design Thinking in an effort to create innovation in PT. RAPP's business model.
3. The mediating variable studied is the creativity of Kaizen team, which plays a role in linking the application of Design Thinking with business model innovation at PT. RAPP.

To avoid widespread problems in research, it is necessary to limit the problem limitation of the problem. The problem restrictions in this study are:

1. This study only involved the kaizen team at PT. RAPP as the research sample. The results of this study may not directly generalize to other companies in different industries.
2. Other factors that may influence business model innovation at PT. RAPP, beyond the application of Design Thinking and the creativity of the Kaizen team, were not be the focus of this study.
3. This research is quantitative in nature and use the survey method through questionnaires. Therefore, the research is limited to data that can be quantitatively measured and may not be able to explore an in-depth understanding of the context and experiences of the individuals involved.

4. The research is limited to the cause-and-effect relationship between the application of Design Thinking, Kaizen team and business model innovation at PT. RAPP. It were not explore other factors that may influence these relationships.

## **1.6 Writing system**

The writing system for this study would typically follow the conventions of academic writing. The research paper would typically consist of the following sections:

### **CHAPTER I: INTRODUCTION**

This section is an introductory chapter that describes the title, study background, problem formulation, study objectives, study benefits, scope and limitations of the problem and study systematics.

### **CHAPTER II: LITERATURE REVIEW**

This section would review relevant literature on the topic of design thinking, business model innovation, and their relationship. It would summarize and analyze existing study, theories, frameworks, and models related to the study topic, propose a theoretical basis and theoretical base which used in both its study completion sec theory as general or special consisting of previous study and theoretical basis.

### **CHAPTER III: METHODS AND ACCOMPLISHMENT PROCESS**

This chapter describes the study implementation method, which consists of the location, time and object of study, types and sources of data, data collection techniques, data analysis methods, types of study, as well as study schedules and budgets.

**CHAPTER IV: RESULTS AND DISCUSSION**

In this chapter the author describes the discussion of the results of study analysis that has been carried out by interviews, observations and other sources.

**CHAPTER V: CONCLUSIONS AND SUGGESTIONS**

In this chapter the author describes the conclusions and obtained from the discussion and suggestions that submitted by the author.

**REFERENCES**

**APPENDICES**

**WRITER BIOGRAPHY**