

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Small businesses play a vital role in fostering economic growth and development. The success of a business can be caused by many factors. One of factors in a business's success is the entrepreneur. Entrepreneurship is crucial to increase productivity, competition, and innovation; is valuable to an economy and creates jobs. The growth of a business is to a certain extent a matter of decisions made by an entrepreneur. People who start up and run businesses need to know their own strengths and weaknesses because entrepreneurship involves the ability to build a founding team with complementary skills and talents. Entrepreneurship is the ability to create and build something from practically nothing. It is initiating, doing, achieving and building an enterprise or organization. An entrepreneur is one who creates and grows a new enterprise and demonstrates characteristics of risk taking and innovation. Creating surviving companies requires for total reliance on entrepreneurship and the need for entrepreneurs are both potential and exist to possess good entrepreneurial characteristics and business practices that can enable them to create sustainable companies. For companies to survive and succeed in their business operations, it is pertinent that its owners possess certain entrepreneurial characteristics and carry out specific business practices. Entrepreneurs often create new technologies, develop new products or process innovations, and open up new markets.

Faced with high uncertainty, entrepreneurs who are in the process of establishing firms, must determine an appropriate course of action. Business planning has received great attention from entrepreneurship and strategy as a central activity to make sense of business environments and identify an appropriate course of action.

Organizational development depends on the characteristics of an entrepreneur. An entrepreneur should have several special characteristics that help them to become a successful businessman. The company should have the ability to explore new ideas, take risks to work reasonably, to monitor progress towards the goals in action at risk, understanding the business implications of a wider range of ideas, have the ability of reading opportunities, and develop a long-term relationship of mutual trust with others, ability to learn and apply it in practice management, as well as being able to identify strengths and weaknesses. If they have their competencies will an impact on the achievement of business performance.

Entrepreneurial self-efficacy refers to a person's belief in their ability to successfully achieve the tasks of entrepreneurship. These tasks include developing new product and market opportunities, building an innovative environment, initiating investor relationships, defining core purpose, coping with unexpected challenges, and developing critical human resources. Self-efficacy has been found to contribute significantly to performance. Entrepreneurial self-efficacy affects the choice of setting, activities, skill acquisition, effort expenditure, and level of persistence of entrepreneurs. It will determine the level of motivation and effort exerted as well as how long entrepreneurs will persevere that is factors which may be instrumental for entrepreneurial success.

According to Ngek (2015, p.277), "people with strong self efficacy have higher control over their negative thinking as productivity of employees in industrial settings is mainly affected by their self efficacy, the results proved that there is a positive effect of self efficacy on performance". Entrepreneurs with high levels of entrepreneurial self-efficacy have the confidence in their ability to attain high levels of performance and set higher and more challenging goals which strongly influence positive performance outcomes.

This research is done at CV Multi Filter Indonesia. The company is engaged in filter and wire supplier company. The company want to increase the revenue from sales of product. Therefore, the company should determine the appropriate business strategy in developing the business. The owner of the company doesn't have individual confidence to his abilities. The low of self efficacy shows that the owner doesn't have confidence to begin the new investment and take the business into successful business. The owner give up easily, avoid the risk and business problem. This condition can obstruct the development of business. The owner often avoid to make sales in certain area because the owner avoids the high marketing cost and difficulties in making sales. The entrepreneur should have intention to take opportunity. The owner feels that the current condition is sufficient for conducting the business without considering the new opportunity such as finding the new market area and increasing business activities with increasing the stock. The entrepreneur should consider the business risk but the entrepreneur should have self efficacy in conducting the business. The owner of the company cannot get opportunity quickly such as fulfilling high demand of product with increasing the number stock because the owner doesn't have confidence in fulfilling the high demand from customer.

Based on description above, the writer want to conduct the research with title **“The Relationship of Entrepreneurial Self Efficacy with Small Business Performance at CV Multi Filter Indonesia”**.

1.2 PROBLEM LIMITATION

Due to limitation of times, ability and knowledge, the writer will focus on entrepreneurial self efficacy as independent variable (X). The writer will also focus on business performance as dependent

variable (Y). The writer will only focus on CV Multi Filter Indonesia as the research object and the employee as respondent for the questionnaire.

1.3 PROBLEM FORMULATION

Based on the background study above, the writer can take problem identification as follows : Does the entrepreneurial self efficacy have relationship with small business performance at CV Multi Filter Indonesia?

1.4 OBJECTIVE OF THE RESEARCH

The purposes in doing this research is to know whether there is the relationship between entrepreneurial self-efficacy with small business performance at CV Multi Filter Indonesia.

1.5 BENEFIT OF THE RESEARCH

The benefits from conducting this research are as follows:

1.5.1 THEORETICAL BENEFIT

1. This research will give benefit in developing management theory especially entrepreneurial self efficacy and business performance.
2. This research will give benefit as reading material for student of Universitas Pelita Harapan Medan.

1.5.2 PRACTICAL BENEFIT

1. For the company, this research gives suggestion for company in improving the business performance.
2. For writer, this research can provide additional knowledge and experience in entrepreneurship.

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

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 : Literative Review and Hypothesis Development

This chapter consists of theories as background of this research, such as definition of entrepreneurship, entrepreneurial self efficacy and business performance. 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.