

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

In the early industrial age, firms created value by transforming raw materials into finished products. The economy was based primarily on tangible resources – inventory, land, factories, equipment – and a firm could formulate and execute its business strategy by operating autonomously and interacting with its environment through market transactions. But times have changed. In the current information age, businesses must create and deploy intangible resources, including employee skills, information technologies and corporate culture, to encourage innovation and improve their competitive strength. Value does not reside in any individual intangible resource, however. Rather, it arises from the entire set of resources and the strategy that links them. Valuable resources cannot be considered separately from the organization in which they are embedded. In turn, to develop and maintain competitive advantages, many firms turn increasingly to alliances; instead of just acquiring resources, they enjoy the benefits of combining their own resources with the assets of others. (Tjemkes, et al., 2017).

In today's turbulent and fast moving business environment, different companies face different challenges, but one factor remains common to them all: no company (whatever its size) can go it alone. Alliances are no longer a peripheral activity on the outskirts of marketing, sales and cooperate planning: they have become a vital necessity in creating explosive business growth and delivering world-class products and services to an ever more demanding set of global customers (Nevin, 2014). Not only have alliances become necessary to secure transitory business opportunities, they have become central to corporate strategies of many of the most well-established fastest growing organizations (Nevin, 2014).

External market pressures are further driving this increasing focus on business-to-business collaboration through factors like the global recession, the need for organizational agility, the innovation imperative and the desire for world-class-status. In addition, many of the major initiatives with which we are familiar today rely on effective collaboration for success – initiatives like cloud computing in information technology, software as a service in software companies, code and ticket sharing the aviation industry, cost reduction in supply chains, creative excellence in the media and broadcasting industry and ‘smarter technologies’ in power supply and city planning (Nevin, 2014).

To combat these difficulties, organization need to invest processes and standards and teach their executive teams new skills and behaviours, because one thing is certain : the number of global strategic alliances is growing year by year, and those companies that can get alliances right are enjoying extraordinary success (Nevin, 2014).

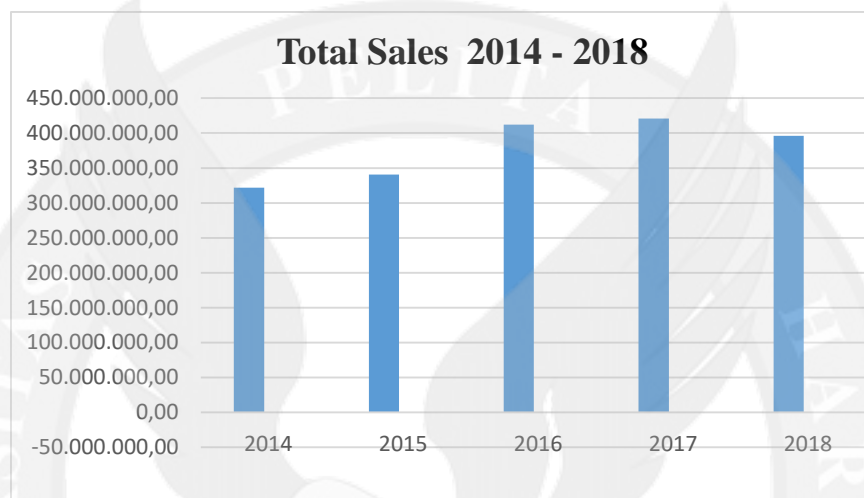
Therefore this *skripsi* will discuss about the strategic alliances at PT Al Falah Tours & Travel, Medan is a company engaged in tourism and travel services in particular to serve the activities of worship umroh. PT Al Falah Tours & Travel, Medan help and facilitate Indonesian Muslim worshipers to perform worship in the Holy Land. PT Al Falah Tours & Travel, Medan not only provides Umrah services but also provides Umrah services along vacation in various countries and travels to various countries. For example, the Umrah Plus Turkey road package, Indian Umrah Plus, Trip to Brunei, Trip to Aqsha. In some of these countries PT Al Falah Tours & Travel, Medan has carried out cooperative relations in various countries. By entering into such cooperation, it is certainly beneficial on both sides.

These are PT Al Falah Tours & Travel, Medan income data from 2014 to 2018.

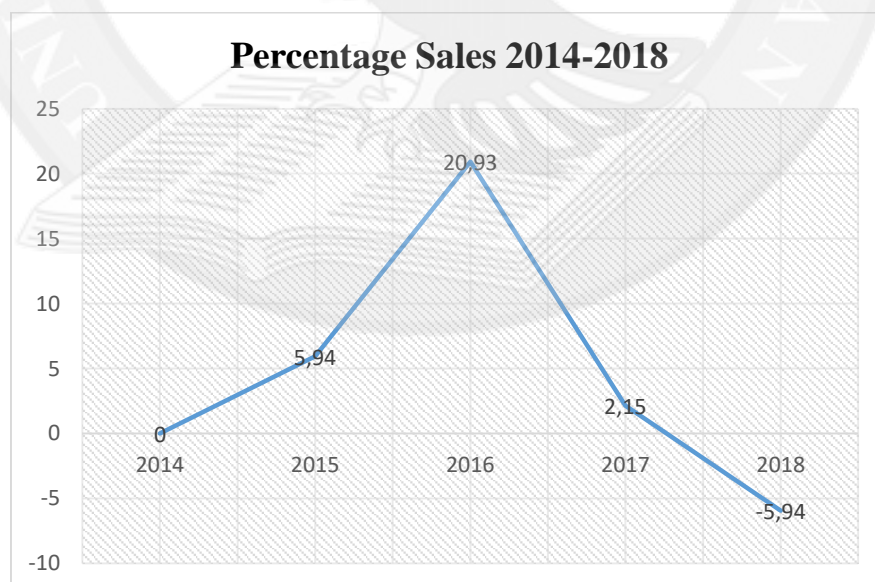
**Table 1.1 PT Al Falah Tours & Travel, Medan Income Data From 2014 To 2018**

Year	Total Sales (Rp.)	% Change
2014	321.600.654,00	-
2015	340.700.987,00	5,94
2016	412.000.321,00	20,93
2017	420.876.000,00	2,15
2018	395.896.396,00	-5,94

Source : Prepared by the writer (2019)

**Figure 1.1 PT Al Falah Tours & Travel, Medan Income Data From 2014 to 2018**

Source : Prepared by the writer (2019)

**Figure 1.2 PT Al Falah Tours & Travel, Medan Income Data From 2014 to 2018**

Source : Prepared by the writer (2019)

PT Al Falah Tours & Travel, Medan has agents who help to promote outside the Medan area, such as Banda Aceh, Takengon, West Aceh, Tebing Tinggi, etc. This helping agent has been appointed directly by PT Al Falah Tours & Travel, Medan.

In 2014-2017 PT Al Falah Tours & Travel, Medan has not faced any significant problems and has increased due to widespread promotions. However, in 2018 there was a decrease in income due to fraud, which caused a loss of approximately 95 seats to be forfeited.

In this alliance that PT Al Falah Tours & Travel, Medan doing with other alliance are they share their profit. In a way, for example first, when PT Al Falah Tours & Travel, Medan are booked hotel for 40 room, they can get free of 4 room. Second, when PT Al Falah Tours & Travel, Medan order 3 bus for 10 days doing umroh, they usually get free charge of 1 bus, by just paid for 7 days used bus. Third, when PT Al Falah Tours & Travel, Medan doing umroh and any other additional destinations like city tour or historic sites, they usually give some snacks or drinks that famous in that country, when they are buy a lot of snacks or drinks, they usually get discount by that.

Based on description above, the writer wants to conduct the research with the title of **“The Effect of Strategic Alliances On Firm Performance at PT Al Falah Tours & Travel, Medan”**.

## **1.2. Problem Limitation**

Due to limitation of time and budget, this research will be limited to strategic alliance as independent variable indicator in its effect on firm performance at PT Al Falah Tours & Travel, Medan. In this research, the indicators of strategic alliances are production alliances, marketing alliances and technological alliances while indicators of firm performance include profitability, sales growth rate, and market share.

### **1.3. Problem Formulation**

The following are the research questions underlying the problems to be answered in this research:

1. How well is the strategic alliances at PT Al Falah Tours & Travel, Medan?
2. How well is the firm performance at PT Al Falah Tours & Travel, Medan?
3. Does strategic alliance effect firm performance at PT Al Falah Tours & Travel, Medan?

### **1.4. Objectives of the Research**

The objectives of this research are:

1. To describe how well the strategic alliances at PT Al Falah Tours & Travel, Medan.
2. To evaluate how well the firm performance at PT Al Falah Tours & Travel, Medan.
3. To examine whether there is effect of strategic alliances toward the firm performance at PT Al Falah Tours & Travel, Medan.

### **1.5. Benefits of the Research**

#### **1.5.1. Theoretical Benefit**

This examination will contribute the theoretical development of information in academic area, particularly on strategic alliances and its effect on firm Performance.

#### **1.5.2. Practical Benefit**

##### 1. For the writer

This study will assist the writer with expanding the information about the effect of strategic alliances on firm performance in real life setting.

##### 2. For the company

This research will give benefits to the management of PT Al Falah Tours & Travel, Medan. They will have the capacity to know the significance,

effect and relationship of having a strategic alliances and what part it will have on their execution. The discoveries of the investigation may create the activity arrange for that will assist the organizations with increasing the performance to survive yet to continue enhancing at the worldwide.

### 3. For other researches

The findings of this study will be utilized as a source of perspective point for different researches that explores on a similar field. They can utilize the findings and suggestion as an establishment or references of their literature reviews.

## 1.6. Systems of Writing

The system of the research is as follow:

Chapter I: Introduction

This chapter includes Background of The Study, Company Profile, Limitation of Research, Research Objectives, Research Questions, and Benefits of Research.

Chapter II: Literature Review and Hypothesis Development

This chapter includes Theoretical Background, Previous Research, Hypothesis Development, Research Model, Framework of Thinking.

Chapter III: Research Methodology

This chapter includes Research Design, Population and Sample, Data Collection Method, Operational Variable and Variable Measurement, and Data Analysis Method.

Chapter IV: Data Analysis and Discussion

This chapter includes General View of “Research Object”, Data Analysis and Discussion.

Chapter V: Conclusion and Recommendation

This chapter includes Conclusion and Implication.