

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Change is prevalent which means that it happens anywhere at any time. Today's business environment also faces changes all the time no matter the industry they are running in. Any companies are aware that these changes occur due to both internal and external factors. The internal factors that could change the environment of the company comes from within the company itself such as the motivation of the employees, the rules and regulations of the company, the working environment inside the company and so on.

On the other hand, the external factors that could bring change to the company include the economic, politics, demographic, culture and other issues that come from outside the company and thus, are often difficult to control over. In this way, the companies in any industry will have to find ways to adapt to these kinds of changes so that they can sustain. Businesses which used to operate traditionally will have to include machinery and technology eventually if they want to run more effectively, stay current and outperform their competitors.

A lot of family businesses have been established for many years. Like any other business type, family businesses also have to adapt to changes constantly. New family members that join the business have to be able to bring new ideas to the table so that the business can sustain. In reality, many family businesses have failed because the next generation leaders are not as well-prepared and passionate as the previous leaders.

As quoted from an article from The Globe and Mail titled "Ten Reasons Why Family Businesses Fail" (2012), three out of ten reasons why family businesses fail because the successors are not

trained and prepared enough. Three of those reasons are poor succession planning, different visions between generations, and unprepared next generation leaders. Among the reasons behind family business failing is the difference of vision between the previous generation and the next one.

Based on the article, this difference could happen when the different generations disagree in the core values and mission of the family business. Ways to prevent this from happening is for the next generation not to refuse following the already established work methods and entrepreneurial vision. However, the previous generation should also demonstrate flexibility by letting the successors explore new management strategies and ideas for innovation. In other words, the next generation should be encouraged to have entrepreneurial sense in doing business.

Thus, this report aims to analyze the level of entrepreneurship of the next generation family members although they are still working under the previous generation leader (intrapreneurship). The company that this report uses as the object of research is PD Indo Diesel Medan. PD Indo Diesel is a Medan-based family business selling mostly generator spare parts of many different types including their own brands. However, they also sell generators along with other machineries. The company is located in Pandu street No. 43 Medan, North Sumatra, Indonesia.

PD Indo Diesel is still headed by Asan Siwan who founded the company in the year 2000 after having worked together with his younger brother for several years in the same industry. However, for the past two to three years, his son, Luis Fernando, has joined him in the family business as the manager of the company. Luis Fernando, who is most likely going to continue the business as the next generation leader, is creative and bold with his ideas. However, the owner himself, Asan

Siwan, is quite a conservative man and thus, often hesitates when it comes to his son's ideas to expand the business.

As mentioned in the beginning of this chapter, the changes brought by the rapid flow of information technology have created even more intense competition among businesses. In addition, the politics and economics issues in Indonesia have also impacted all the businesses including family business a lot. This is also true for PD Indo Diesel as they are not the only spare part distributors in Pandu street like they were over 10 years ago. Therefore, this report would like to analyze whether Luis Fernando's, who is still an employee, entrepreneurial sense (thus called intrapreneurial sense) can indeed bring competitive advantage to the family business. Additionally, this report would also like to analyze the level of intrapreneurship among the employees who are loyal and motivated and its impact towards the competitive advantage of the family business.

This research aims for the writing of essay **“The Impact of Intrapreneurship towards the Competitive Advantage at PD Indo Diesel, Medan”**.

1.2 PROBLEM LIMITATION

The kind of business that will be discussed in this report is a family business meaning that the company or firm is mostly controlled by family members and that the owner of the business has the intention to pass on the business to another successor. PD Indo Diesel besides being a family business will also be discussed as a sole proprietorship business – one-owner company. In this way, other types of business such as partnership, corporation or limited liability companies will be excluded to narrow down and make more specific of a discussion.

In addition, the family business is going to be analyzed from their intrapreneurship and competitive advantage point of view only since these are the variables. Moreover, the indicators of the

intrapreneurship variable such as the ability of the employees to solve problems, have initiatives, be innovative, be growth-driven, and have high integrity will also be discussed (Majumder, 2017). Further, the indicators of the competitive advantage variable such as the cost leadership, differentiation and niche focus that the family business has will also be included in the discussion in this research (Clayton, 2017).

The entrepreneurial sense including innovation, creativity, and other entrepreneurial qualities that will be discussed is from the perspective of the employees including the manager of PD Indo Diesel and not from the owner which is called intrapreneurship – the quality of an entrepreneur in an employee working in a firm. With that being said, only the employees like the owner's son and loyal yet motivated employees who are guaranteed to stay long with the company will be sampled in this research. Otherwise, employees who are working temporarily just to get some experience wouldn't care about the sustainability of the family business.

PD Indo Diesel Medan operates in the machinery industry which is why the industry being analyzed in this report will be within that certain industry particularly in the generator section. The competitors being discussed in this research will also be within the industry such as many of the shops selling similar products along Pandu street.

1.3 PROBLEM FORMULATION

Based on the background of this research as discussed previously, this research aims to find out about the impact of intrapreneurship in PD Indo Diesel Medan towards the ability of the family business to compete against other companies in the same industry. Therefore, the issues that are going to be investigated in this report are as follows:

1. Does intrapreneurship in employees impact the ability of PD Indo Diesel Medan to compete?
2. How does PD Indo Diesel nurture the intrapreneurship among the employees?

1.4 OBJECTIVE OF THE RESEARCH

The objective of this research includes all the goals that the researcher wants to achieve in terms of finding out the truth about the assumptions or hypothesis being made in this research so that it can benefit all the individuals who might have an interest in this research. Based on the background of the problems and the issues that needed to be addressed, this research aims to:

1. To analyze the impact of intrapreneurship in employees towards the ability of PD Indo Diesel Medan to compete.
2. To identify ways to nurture intrapreneurship among employees in PD Indo Diesel Medan.

1.5 BENEFIT OF THE RESEARCH

As mentioned before, the aim of this research is to find out if intrapreneurial sense in employees does affect the ability of a certain company, in this case PD Indo Diesel to compete and therefore, sustain. In this way, the author of this report hopes to clarify the truth of the hypothesis so that it could benefit the readers and future researchers both theoretically and practically. In addition, this research is also done in order to fulfill one of the requirements to graduate from UPH Medan. Hopefully, this research could be accepted and useful to the society.

1.5.1 Theoretical Benefit

As for the theoretical benefit, this research hopes to prove that there is indeed an impact of intrapreneurship towards the ability of PD Indo Diesel Medan to compete. In addition, this research also hopes to investigate on the methods to encourage intrapreneurial sense in every

employee especially the future successors in their daily work in the family business. Lastly, the research aims to benefit all readers including students, educators and other educational instances in doing further research or just any research in general.

1.5.2 Practical Benefit

Practically, this research hopes to benefit the company itself, PD Indo Diesel, in the sense that they could realize the importance of intrapreneurship in employees especially as a family business that needs to sustain. Hopefully, the owner and manager could implement the methods to encourage more intrapreneurial sense in their employees. In this way, the employees could feel more appreciated and motivated to do their job. Happy employees would result in low employee turnover rate.

Consequently, happy employees would also serve the customers happily. As a result, the customers would also be glad to come back again to such good service. When everything is said and done, the owner would also feel secure that his or her company is handled by the right people. In an even wider sense, this research aspires to benefit the industry by laying out the proof that intrapreneurship does advantage the business after all to compete better and sustain longer. Hopefully, in this way, the industry could indirectly benefit the government also by contributing to the income of our country, Indonesia, through taxes, etc.

In addition, this research aims to benefit the researcher herself in terms of adding more insights both to her management business study and to her knowledge about family businesses. Moreover, the researcher hopes that this research could be a reference for future researchers who are doing researches related to this one.

1.6 SYSTEMS OF WRITING

Chapter I – Introduction

The first chapter of this research discusses about the background of the issue as of why the writer of this research choose “The Impact of Intrapreneurship towards the Ability of PD Indo Diesel to Compete” as the topic of the research, problem limitation, problem formulation, objective of the research, benefit of the research which consists of both theoretical and practical benefit, and systems of writing.

Chapter II – Literature Review and Hypothesis Development

This particular chapter contains the theoretical background of the issue including the definition of intrapreneurship, the definition of entrepreneurship, the definition of competitive advantage, the theory of family business sustainability, the relationship between intrapreneurship and the ability of the company to compete, previous research related to this topic, hypothesis development, research model and framework of thinking of this research.

Chapter III – Research Methodology

This next chapter discusses about the method of doing this research which will be quantitative including the research design, population and sample, data collection method, operational variable definition and variable measurement as well as data analysis method.

Chapter IV – Data Analysis and Discussion

This part of the report contains the general description of PD Indo Diesel as a family business including its history, vision, mission, operational goals and operational activities. In this chapter, the data analysis in descriptive statistic, result of data quality testing, and result of hypothesis testing and discussion will also be demonstrated.

Chapter V – Conclusion

In this chapter, there will be a brief conclusion about the result of the research, the implication and also the recommendation and suggestion for future researches.