

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Family Business is a predicate usually used to classify business companies which are conducted by a family. Most family businesses are hereditary from the owner to their new descendant. The outputs that were made in business are closely affected by family members from different generations who were involved in the business, both by blood and marriage. Most of this field is simple to know through the company structure, which consists of some family members in essential positions. Research shows and finds that 45% of Indonesia's companies are possessed by an individual or an association of family members, and this family company assist 45-70% of the Gross Domestic Product (GDP) (Ningsih, 2018).

In a family business, employees can either be family members or non-family members. For family members, they must be actively/passively involved in the business based on the rules and regulations in the company. To have an impact on how it performs, they must be subject to the standard of procedure. On the other hand, for a non-family member, the task is still the same, there are a few differences between both. Nevertheless, there is a more difficult side of the family member because they must show that they can give the best performance and are not in the company because of the family relationship only. (From the direct observation)

According to Taouab and Issor (2019), “Organization performances rate become a picture of the success or effectiveness of business, and as a characteristic or instruction on the organizational nature that is implemented maximally to reach its goals successfully.”

In conclusion, organizational performance describes the real results that are done by an organization, its appraisal is based on a measured attaining the company target (goals, progress, and objectives). Besides, employee interest, a pleasant environment must be put into a priority to do all the aspects. Implementing employee and family involvement will boost up their spirit to do their best for their work. The company cannot separate this thing because the employee is the first frontline for a company to make a product and execute it in the environment. Family involvement is the parties who know the overall aspect in this case. Due to that, the company must give a reward like a bonus and a promotion to motivate their own work to improve time by time. In this sector, the family role is just another significant party that cannot be neglectful because they can combine and give advice to the employees. In this context, an organization does not do something, but its management or employee conduct each work and, in their section, to unify performance results and is considered organizational performance.

PT. Mitra Power Perkasa is a family business company which was established in 2012. The mostly final decision is made by the second generation named Mr. Kelvin. The son has been involved in the company since 2015. The argument that supports this company as a family business company is because

almost all the ownership or control lies in a single-family, there are also two family members involved or participating. The business is categorized as a family company because there are many family members working in the business, which is his father, his mother, his cousins become a manager in the field and last Mr. Kelvin as a vice-director in the company, this position is clearly stated. According to the author's research, the first generation is still involved, but the activity is just observing and seeing his son's performances.

There was a little bit of history on why this company was established, referred to the interview that was done with Mr. Kevin. His father was willing to be a vendor in planting, so that they must build a company to be the valid vendor. Besides that, before expanding the business, the father already mastered the replanting field until the way to control all things related to palm oil.

This company is located at Jalan Gading Mas Raya, Villa Gading Mas Site D number 6, Medan. It is engaged in oil palm contracting (replanting, maintenance, oil palm factory maintenance services, service transportation). There have more than 59 employees who are divided into some department, of which there are 12 people who stay in the office, 18 people in the replanting sector, 19 people in the maintenance oil palm factory, and 10 people in the service transportation depend on the amount of vehicle that is used at a time. As additional information, this company is becoming the vendor of the private business company and facilitating the project of the government plantation. The net profit of PT. Mitra Power Perkasa can be described in the table below:

Table 1.1
Net Profit of PT. Mitra Power Perkasa from 2016-2020 (Total Accumulation per Year)
(In Rupiahs)

2016	2017	2018	2019	2020
2,32 billion	3,14 billion	3,59 billion	3,27 billion	3,61 billion
Range Profit:				
2016-2017	2017-2018	2018-2019	2019-2020	
0,42 billion	0,45 billion	-0,32 billion	0,34 billion	

Source: PT. Mitra Power Perkasa, 2021

Starting from the data in 2016-2018 there is a positive graphic which gets more profit every year, the company management is good, and their company still believes in the family involvement in decision making. But all turns to the different side in 2019, the company faces some problem, which is a family problem. Due to personal and sensitive matters, finance gets hampered. Based on the information that the writer got, the biggest problem is frequently miscommunication and cohesiveness idea between offices and manager in the field. Some of the matters that make the net profit unstable are obvious when from 2019 until the time the writer was doing research.

Based on the interview with Mr. Kevin, family members who work in this company are his father, his mother and sister, his cousins become a manager in the field and last Mr. Kelvin as a vice-director in the company. Family members in a family business can become problems when the family members are not professional in working, such as giving special treatment to family members, too much authority for them, and positioning a family member in an important field although he or she is not qualified. This family member in the company is the

example of a family-involved problem in the company. The involvement of every employee at the company should give a contribution to the company for its progress, the progress will determine the overall company performances.

Furthermore, Mr. Kevin explained that miscommunication happens when the instruction that is implemented in the field is different from the message. It shows that the manager in the field sometimes gives the wrong instruction to the employee in the field. Although the vice director already told him in the office, they still deliver the wrong message to the employee, it causes the failure in doing the job. Cohesiveness of ideas among family members is defined as the point of view that is different from the manager in the field and the vice director because the manager in the field has their own ego, and sometimes they want to make their own decision without any discussion with the vice director. It causes disorder in the employee side. So, in a clear way the problem comes out from the vice director and the manager in the field.

Observing the range from 2016 to 2017 and 2017 to 2018, the scale of profit calculation is still promising, but a problem arises in 2018 to 2019 until the last time, there is a degradation in making a profit, and a gap between the time (-0.32 billion). As seen, the family is struggling to fix it in 2020 in which the range is becoming positive, but the problem was not finished because the amount of the distance is lower than in the past.

The writer chooses to make research with the title “**The Influence of Family Involvement on Organization Performance at PT Mitra Power Perkasa Medan.**” The writer is really interested personally in conducting

research deeply in this company to know the inside or the success key of this company.

1.2. Problem Limitation

To be a nice, confidential, and accurate research, the writer will be consistent to make research in several borders like the information about the company and complete data of this research is collected and help from the second generation which is directly the son of the company generates. PT Mitra Power Perkasa Medan is located at Jalan Gading Mas Raya, Villa Gading Mas Site D number 6. The respondent and target of the Questionnaire are mainly taken from an employee because they can see and appraise the family performance at the company. The topic of the title just refers to two (2) variables, the first one is Family Involvement considered as an independent variable (X). Indicators for this topic are power, experience, and culture. (Zellweger, 2017). The other variable is Organization Performance considered as a dependent variable (Y). The key performance indicators for this variable are financial performance, innovation performance, growth performance, operational performance, competitive advantage, and value creation (Andrej, 2017).

1.3. Problem Formulation

Determining and observing Family Involvement Influence the Organizational Performance at PT Mitra Power Perkasa Medan is the purpose of

the research. Hence, this research tries to find and answer the following question on the material.

- a. How strong is the Family Involvement of PT Mitra Power Perkasa Medan?
- b. How well are the Organization Performances at PT Mitra Power Perkasa Medan?
- c. Does Family Involvement have influence on Organization Performances at PT Mitra Power Perkasa Medan?

1.4. Objective of the Research

Organizational Performance at PT Mitra Power Perkasa Medan is an initial destination of this research. After finding and obtaining complete data and answers to this research, the writer expects that the reader will be more familiar and know about how Family Involvement Influence Organizational Performance. Therefore, the course of this learning is:

- a. To discover how strong the Family Involvement of PT Mitra Power Perkasa Medan is.
- b. To dig out on how well an Organization Performances at PT Mitra Power Perkasa Medan.
- c. To hit on how Family Involvement has an influence on Organization Performances at PT Mitra Power Perkasa Medan.

1.5. Benefit of the Research

There are two types of advantages the reader can get from this research which are Theoretical Benefit and Practical Benefit.

1.5.1. Theoretical Benefit

After reflecting on the knowledge and learning in material context, the achievement of this research adds additional understanding about the influence of Family Involvement on Organizational Performance. In the end, the reader can catch writing content and give many educational materials of similar topics and variables.

1.5.2. Practical Benefit

The writer hopes that the research will take about significance in three (3) Benefits, which are:

- a. For the writer, this research would contribute the sense, feeling, and knowledge in the correlation between Family Involvement on Organizational performances in the other real chances.
- b. For the business/firm, this research would give a description and idea for revolutionizing organizational performance by related the essence of Family involvement.
- c. For other researchers, this research would make references with the same or correspondence topic.