

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF STUDY

In today's dynamic economic conditions, an unstable global economy plays an extremely important role within any organization. New technology and trends are something that we as a businessman or company need to embrace on the impact. Born of new technology in this era makes a new landscape on business start from producing, marketing, and even services because of that change occurring disruptive business games that has been run for a decade. New trends and customer behaviour is shifting towards for a new product and service. Beside of new technology and trends, then the rising of newly advancing countries such as China and India that generating a new market because of the capitalistic they offer. With all of the aspects that change and framing the market condition force a company or entrepreneur need to make an innovation to move as fast or ahead the change of this world economic.

Understanding the essential of innovation on this economic era. Something that could give a change and surprising effect on the market, deliver something new to the market that purposing to make a change that favouring our interest on the market. By knowing and learning on delivering innovative we are preparing ourselves for embracing a change that arm ourselves with a skill and know ledge that make us could perform an innovation that make us ahead on the market. By learning a theory of innovation and know how it usually works is giving us an understanding that could be mixed by an entrepreneur or company with their working experiences in order to master an innovations.

There is always a change on every era as well as customer preferences and needs. Customer needs are constantly changing. One day, your customers might need exactly what you have to offer, and the next day, they need something else. company on a long-term need to innovate for their own

goods. With new ideas it will excite and make the company have a competitive edge on the market.

The obligation for a company to innovate is inevitable for remaining competitive in order to survive. Innovation is the most important driving forces for a company to survive on the economic trend and turbulences. Thus, to play an important role in the global market, it is necessary to increase the capacity of innovations this is especially applied to companies that obtain their competitive advantages. A company that needs to have a good position on the market need to obtain competitive advantage by implementing and designing a new innovation that give an upper hand for the company on the market. Company that demanding a new innovation with a good precision of outcome guaranteed a growth that could maintain their competitiveness on the market.

In this research, the writer is proposing to stating the importance that an innovation could deliver for the company in order to maintain their competitiveness. Even an innovation is not a thing that can be result with the study of their theory, but it is a fundamental way to learn about innovation. This is something that every company and entrepreneur need to be aware as they need to implement a change in their business based on the condition via innovations, especially when they need to be in-line with the trend that being occur on the era.

In this research, the writer elaborate the importance of innovation that impacting the company performance overall. PT Indokarya is a company that manufacturing new steel door for a building. Founded on 1992, it has been through several evolvement for years. It operates in Medan and distribute the products for North Sumatra and some near provinces. This company is operate on a manufacturing industry, manufacture the product till marketing is done by the company all around.

PT. Indokarya right now the second generation is start to entering the business. This business is still run by their founder, founder at PT. Indokarya is a person that take charge on essential business part likes handling

customer, purchasing product material, and innovate product. On daily operation this company is being command by their manager that handling stuff like controlling the labour that work at production and some accounting task.

Product that writer focus more is on product called “Press Door”. It is a product that being use on several building likes warehouse, and villa. It is a door that become the main door of the building.

This company on last several years has done some of innovation to fix their performance. In 2015 they are making a new model on their product, then in 2017 they are innovate a new marketing policy for their product to gain more market share.

Table 1.1 Annual sales of PT. Indokarya

year	Total sales (unit)	Change
2013	428	0
2014	381	-10.981%
2015	446	17.06%
2016	408	-8.520%
2017	457	12.009%
2018	443	-3.063%

Source : Prepared by the writer (PT Indokarya, 2019)

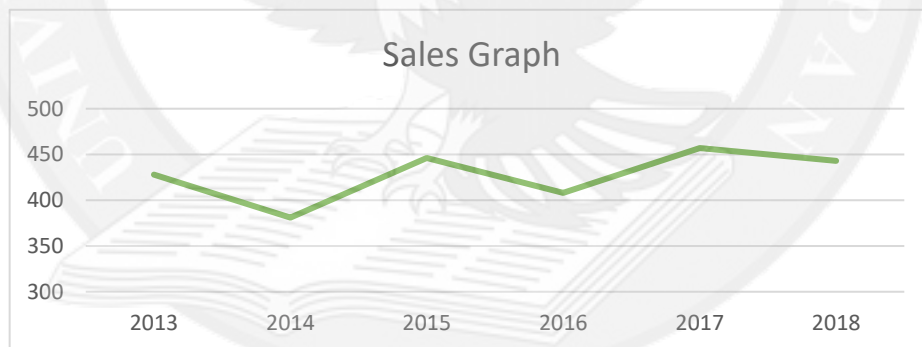


Figure : 1.1 Sales Graph

Source : Prepared by the writer (PT Indokarya, 2019)

Data that have been collected on sales of PT Indokarya start from 2013 with 428 unit. then in 2014 sales decline to 381 unit there is 47 unit lower (-10.981%) there are a lot of factors start from general election that being held on that year and at the same year that year there a new model of “Pintu Press” start hit the market. Next on 2015 sales has recover for record sales at 446 increase 65 unit plus (17.06%) the reason behind it is last year

company has run a machine to produce the new model for the customer. Then on 2016 sales has been slow for generate 408 unit on that year it fall 38 unit (-8.520%) because of the company new model is having an issue on the reliability issue. Next on 2017 hit on record sales on that year for generating 457 unit increasing 49 unit plus(12.009%) it's occur because the company new strategy on market the product, creating an collaboration with a new agent to sell the product. And then Last year on 2018 sales is decreasing a bit to 443 unit down from last year 14 unit (-3.063%) there is no quite an issue on last year, maybe it just some economic downturn.

This company face several challenge from their competitor. On the scale of factory it has around 10 factory on medan itself and there some small home industry that operate on the business line. So PT Indokarya is facing quite big number of competitor

Because of the data that the writer has gathered, it shown that the sales on this company is fluctuative and unstable, the writer has suspected that the main reason of this company issue is capacity innovation and encouragement to innovate. With that reason the writer is convince to analyze more deeper on the impact of inovation on competitiveness. The writer has initiate to choose a paper with title“ **The Impact of Pintu Press Innovation Towards Company Competitiveness at PT. Indokarya**”.

1.2 PROBLEM LIMITATION

Due to limitation of time & budget, the writer has to set some boundaries for this research. This research will focus on innovation, as independent variable, and its impact toward company competitiveness, as dependent variable. This research at PT. Indokarya. Innovation is limited to Press Door product that being discussed.

The indicators of innovation includes are Positioning innovation or external sources of innovation, Innovation paradigm or internal source of innovation, process innovation and product innovation Zainurossalamia et.al (2016). while the indicators of competitiveness which are superior skill, superior resource and superior performance Pangestuti (2018).

1.3 PROBLEM FORMULATION

The following are the research questions formulated in this skripsi :

- a. How is the innovation being implemented at PT. Indokarya?
- b. How competitive is PT. Indokarya?
- c. Does innovation have impact toward company competitiveness at PT. Indokarya?

1.4 OBJECTIVE OF THE RESEARCH

In this research, the writer work on some purpose there is:

- a. To describe about the innovation being implemented at PT. Indokarya .
- b. To assess the competitiveness of PT. Indokarya in the industry.
- c. To investigate whether innovation has impact towards company competitiveness at PT. Indokarya.

1.5 BENEFIT OF THE RESEARCH

The followings are the benefit of conducting this research:

1.5.1 Theoretical Benefit

This research is done to understand more about how can innovation impact company competitiveness and factors which will affect both variable. Beside it's benefits to gain more knowledge related to the theories about innovation, company competitiveness, and the relationship of both variables. The findings of this research will contribute on the development of theories, especially about innovation and its impact on competitiveness

1.5.2 Practical Benefit

- a. For the writer, this research give an insight more on business either theoretically or practically
- b. For the company, this research will give recommendations on how to improve innovations and competitiveness in the industry
- c. For other researchers, this research is use as the references for the other party to get advantages from this researches towards their own purpose and development.

1.6 SYSTEMS OF WRITING

This research is divided into five chapters. Each is divided into several sub chapters. The outline of writing in this research will be as follow :

Chapter I Introduction

In this chapter the author is mention about Background of Study, Problem Limitation, Problem Formulation, Research Objectives, Benefits of the Research, and Systems of Writing.

Chapter II Literature Review and Hypothesis Development

In This chapter it's consists of Theoretical Background, Previous Research, Hypothesis Development, Research Model, then Framework of Thinking.

Chapter III Research Methodology

In this chapter of this research, there are some point likes :Research Design, Population and Sample, Data Collection Method, Operational Variable Definition and Variable Measurement, and Data Analysis Method will be collaborate.

Chapter IV Data Analysis and Discussion

In this chapter the writer will give an illustration on the research to examine. "Research Object", Data Analysis, Descriptive Statistic, Result of Data Quality Testing, Result of Hypothesis Testing, and Discussion.

Chapter V Conclusion

This is the last chapter of this research Conclusion, Implication, and Recommendation will be told in this chapter.