

CHAPTER I

INTRODUCTION

1.1 Background of Study

Nowadays business industry has become more and more sophisticated. Many products, services and new technology are coming in to get more sales in the market. Besides, there are always new entrants in the market, which make one's company products or services become less attractive due to uniqueness and quality offered to customers with the same price. Competitive advantage is one of the major factors for many organizations to survive and attract customers' attention in purchasing their products and services. According to Ifle (2017), competitive advantage is the ability obtained as it has characteristics and resources in the company to get higher profits from other companies in the market. Besides, these also push many firms to growth well and have a long-term success in delivering products and services. However, firms need the ability to innovate to keep producing new products and idea so that they can satisfy customer needs and have competitive advantage. In order to do so, firms need to be flexible enough to keep changing and adapting in the industrial market to find new opportunities to be innovative enough to beat competitors. According to Henderson (2017), in the business world, in order to be beneficial from an innovative idea, it must be replicable without being too costly and it must satisfy a specific need. Through delivering something original, creativity is accomplished and is often seen as generating quality, contributing to a

concept that has a huge impact on the general society. From here, it can be explained that for business to success in doing the innovation, there must be future prediction of the market. It is not only about responding to current customer or organizational needs, but also anticipating future trends and develop an idea, product, service, process or tools that finally allow businesses to meet future demand rapidly and effectively.

However, for manufacturing company to be innovative, they need to adopt new technology innovations in coping up with the excessive global challenge (Staff, 2019). The technology could be machine, cloud computing, or any other, which can improve the quality of goods and services produced. This technology gives benefits for competitive advantage but also give drawbacks such as replacing human power. Mention about the changing from human power to machine, the process of change from human power to machine industry was actually started from Britain in 18th century then spread to other parts of the world. These are called the Industrial Revolution. Moreover, this industrial revolution had a profound impact on how people lived and how businesses worked even after the first industrial revolution. Although the start of the changing from human power to machine was from the first industrial revolution, manufacturing company around the world started to adapt this technology since the second revolution industry (1820-1870) (Chen, 2019). Hence, technology plays an important part in doing the innovation in manufacturing company which can affect

firm performances starting from production efficiencies, reduce costs, and competitive advantage (Migrator, 2019).

This research is done at PT Agrosari Sentraprima, which is a family business company. The company was established in 1980 by Sanjaya Lawer which at that time only producing drink in bottles such as soybean juice and flower tea. However, in 1984 the company began to develop its wings by producing canned fruits like Rambutan, Pineapple and Cocktail. For selling outside the country, the company produces Pineapple and Papaya juice in concentrated form. Its products have been exported to Taiwan, Germany, Italy, Sweden, Argentine, Singapore, China, and Middle East country.

Based on interviews with office manager, Erfy Lawer, she stated that before 2010, the years before implementation of machine technology, firm performances are not very good. Besides, they tend to waste lot of overtime wages, as they did not use machine to process the fruits. As a result, there were inconsistency of products quality and it was worsened by the increasing of costs. Not only that, there are also lack of monitoring or controlling done by productions department which caused losses to the firm and affect the operational. Having found that problems mentioned above, the firm take actions by implementing the new technology to produce fruits using machine in the year of 2010. At that time, it was not easy when implementing new technology to firm, as they need to adapt to changes especially employees and firm. ThePy also tried to create system so that

production department are able to control the employees as they still need human power in processing the fruits after being produced in the machine. After several years, more precisely in 2016, they are far better as they save lot of costs and efficiency in implementing the new technology and firm performances are starting to improve.

Table below shown the process of fruits production before and after innovation in the company:

Table 1.1 The process of fruits before and after innovation

	Name of process	BEFORE	AFTER
		Explanation	Explanation
Step 1	Peeling	Process of removing skin and fruit seeds (Human Power)	Process of removing skin and fruit seeds. (Human power)
Step 2	Cutting	Process of crushing and increasing acid levels in fruits (Human Power)	Process of crushing and increasing acid levels in fruits. (Machine)
Step 3	Extracting	The extortion process carried out by workers by removing the pulp and leaving the fruit liquid to be processed to the next stage	The process of removing pulp in the fruit and left the fluid or water for processing to the next stage. (Machine)
Step 4	Storage or Tube	Fruits liquid later will be stored in tube to be processed to next step	Fruits liquid later will be stored in tube to be processed to next step
Step 5	Evaporator	The cooking process is carried out by humans to thicken the liquid of the fruit by increasing sugar levels. (Human Power)	The cooking process is carried out by humans to thicken the liquid of the fruit by increasing sugar levels. (Machine)

Last Step	Packaging	Fruits are packed in a large can and will be stored in cold storage. (Human Power)	Fruits are packed in a large can and will be stored in cold storage. (Human Power)
Finishing	Cold Storage	Fruits are stored in cold storage with the temperature -18 degree Celsius	Fruits are stored in cold storage with the temperature -18 degree Celsius (Upgrade with better cold storage)

Source: Prepared by The Writer (PT Agrosari Sentraprima, 2020)

The table above is the process of fruits productions in the company with concentrated form (semi-finished products) that later will be purchased and to be produced again into juice by other companies. Besides, there are also changes in the process by using machine at the right side of the table in order to maintain consistency of products' quality and also saving more costs rather than using human power.

From step 1, it can be seen that firm still needs human to peel the fruits and there is no other way. Starting from step 2 processes, firm start to innovate and use machine to maintain products quality as well as saving time. It is the same with step 3 which company use machine to extract the fruits. This followed by step 5 process, which fruits are being evaporated to eliminate water in fruits. Lastly, cold storage is upgraded so that it can store more fruits and also with more advanced technology implemented.

As mentioned above after machine had been implemented in the process of productions, firms still need time to adapt to new technology and performances were still the same. But until the year of 2016, firm performances started to increase and shown that production costs started to

decrease, and it produced efficiency which save lot of time to produce fruits. Hence, these are the table from the year 2013-2019 to show the difference of changes in productions and amount of process to produce fruits listed as follow:

Table 1.2 The Amount of Productions and Process in Year 2010-2019

Year	Production Process (day)	Amount of Production (Ton)	Percentage Change
2010	2 trips	19,872	-
2013	2 trips	20,736	4.35%
2016	2 trips	34,834	67.99%
2019	4 trips	70,272	101.73%

Source: Prepared by The Writer (PT Agrosari Sentraprima, 2020)

The Figure of changes in production from the year 2010-2019 can be seen as follow:

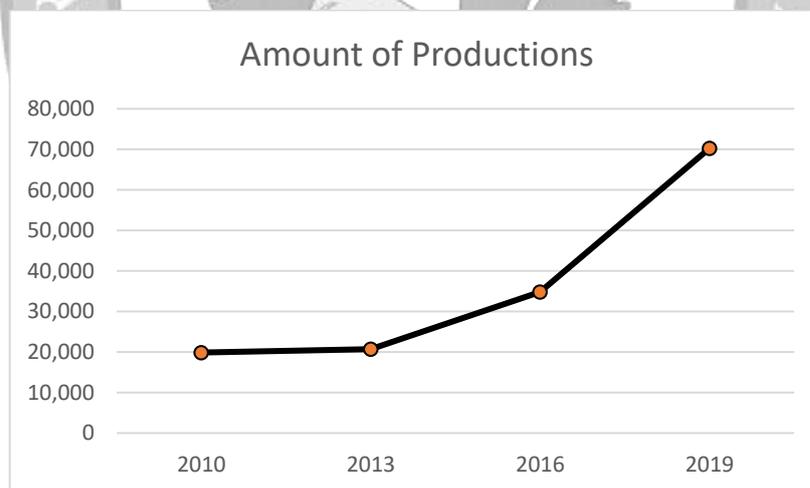


Figure 1.1 Amount of Productions in Year 2010-2019

Source: Prepared by The Writer (PT Agrosari Sentraprima, 2020)

Based on explanation above, writer interested to find more innovation of the company so that they can increase their performances

more and also the upcoming innovation that are still not being implemented in the production to increase efficiency and finally make decisions to conduct research with title **“The Impact of Innovation Capability towards Company’s Performances at PT Agrosari Sentraprima”**

1.2 Problem Limitation

Because of the limitation of time and resources needed to do this research, it is only limited to innovation capability as independent variable (X) and company performance as dependent variable (Y) and more focus in production department whether innovation can have more impacts and search for something to be changed at PT Agrosari Sentraprima in the year of 2020 that can finally lead to increase productivity and sales.

According to Momeni (2015) indicators of innovation capability are structural capability, personnel capability, and operational capability. According to Selvam et al. (2016) indicators of company performances are key operation variable, market performance, product quality, and employee job satisfaction and training.

1.3 Problem Formulation

Based on the background of study that is already mentioned above, the writer can formulate some research questions as follows:

1. What are some of the innovation implemented at PT Agrosari Sentraprima?

2. What are parts that need to be changed after innovation implemented at PT Agrosari Sentraprima?
3. Does the implementation of innovation have impact on performance at PT Agrosari Sentraprima?

1.4 Objective of Research

The objective of doing this research are as follows:

1. Knowing about the innovation implemented at PT Agrosari Sentraprima
2. Evaluating PT Agrosari Sentraprima performances before and after the innovation and see whether there is something to be changed after implementation
3. Finally, identifying whether innovation implemented has impact on performance at PT Agrosari Sentraprima.

1.5 Benefit of Research

1.5.1 Theoretical Benefit

This research can be used not only to evaluate PT Agrosari Sentraprima performance but also benefit the researcher in getting information for knowledge, experiences, and insight. Furthermore, by doing this research it can help the company to innovate more and increase the productivity that lead to company's in achieving their great performance.

1.5.2 Practical Benefit

The practical benefits of this research are as follows

1. For the writer, this research really helps to gain more experience in doing the final paper and finally increase writer insights in innovation of the company
2. For the company, this research can be used as information to know and evaluate lacking part in the company especially in innovating more to boost company's performance in the future
3. For other researchers, this research can be used as reference in conducting similar research in the future

