

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, competition among businesses is undeniable tightening. Having an entrepreneurial mindset to achieve higher level of success is important as entrepreneurs have become the crucial element in the business cycle nowadays. The company should be able to effectively make use of its internal resources to improve its revenue and the chance of winning in the market. Among these internal resources, entrepreneurial orientation is one of the key resources to ensure the survival and long-term growth of the company. It is considered as the desire to achieve new opportunities by instigating innovation strategies and ideas. However, in this modern era, becoming an entrepreneur is very challenging. The risks of becoming the entrepreneurs are very high. Many entrepreneurs do not realize that they are not optimizing their employees' potential in working which causes the lack of efficiency in terms of business performance.

According to Gautam (2016), “entrepreneurial orientation (EO) has three dimensions that involves entrepreneurs to have innovation, risk taking and pro active behavior of organization to business success” (pp.48-63). Organizations with higher level of entrepreneurial orientation could perform better than organizations that have lower level of entrepreneurial orientation. Therefore, having an innovative, risk taking and pro-active

entrepreneur in the business organization is very important because it can lead to the business success. There are three frontiers of innovation that can be implemented in terms of the services, products and processes. Entrepreneurs can improve the service to be better, products to be unique and better ways of processes to accomplish a task.

CV Green Alu is a family business in Indonesia that is owned by second generation of the family. Moreover, this business is still in owner managed stage until now. CV Green Alu is a business that moves in architectural industry established since 2008. Since 2010, CV Green Alu officially began operating and becoming the first and largest pioneer in Medan, North Sumatera for aluminum finished products in the architectural segment such as doors, windows, partitions etc. And in a short time, CV Green Alu has also operated in another region in Indonesia which is Jakarta in 2016. The main concept that CV Green Alu carries out is to produce architectural products that are environmentally friendly and safe to use. Not only at the local market, CV Green Alu also starts expanding into the international market and therefore never cease in innovating, researching and always modernizing the technology that CV Green Alu uses to be able to produce the latest products and has competitiveness at the international level.

However, there are some problems faced by CV Green Alu. The sales for the past 3 years has been slightly decreasing which can be seen from the table below:

**Table1.1 Data of Sales from 2016-2019 (in pcs)**

<b>Type of Product</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Casement Window	1,100	1,250	1,000	900
Fold and Slide	800	1,000	800	650
Green Sash	850	750	675	500
Lift and Slide	600	750	700	680
Sliding	550	800	600	590
Swing Door	500	750	625	600

Source: Prepared by Writer (2019)

It can be seen that the company sales has improved in 2017, but kept decreasing for the next two years. Therefore, the researcher want to find what drove the company sales to keep declining. The researcher is motivated to analyze in depth about the internal factor of the company as it plays an important role in defining the sales performance. At CV Green Alu, the employees are somehow lacked of motivation because they often come late and are even absent from working. Because of absenteeism of employees' involvement in decision making (not feeling appreciated), the employees' motivation to work is somehow affected. This will decrease the productivity of the company as well as business performance of the company.

**Table1.2 Data of employees' absences per year at CV Green Alu.**

<b>Year</b>	<b>Total number of employees</b>	<b>Absences per year (times)</b>
2016	20	150
2017	25	168
2018	28	180
2019	30	194

Source: Prepared by the Writer (2019)

From the table 1.2, it can be seen that the employees' absences per year at CV Green Alu keep increasing. It is mainly caused by lack of employees motivation. The company should implement entrepreneurial

orientation in increasing the motivation of the employees by giving a full attention and participation in the company.

Based on the situation in CV Green Alu, it can be interpreted that the founder seems to not fully adopt the entrepreneurial orientation. However, CV Green Alu has a very high concern in innovation for the purpose of gaining a better business performance in the future.

Referring to the background of study which has been mentioned before, the writer is motivated to conduct a research study and aim to analyze more in-depth regarding the Effect of Entrepreneurial Orientation on Business Performance which will be written in a research with the title : **“The Effect of Entrepreneurial Orientation on Business Performance at CV Green Alu”**. The title chosen as the research topic which focuses on family business is also part of Indonesia government interest on building a good economy in Indonesia. Moreover, with this research paper it can enrich more knowledge as well as solving company problem.

## **1.2 Problem Limitation**

In this *skripsi*, the problem limitation is to know the effects on business performance as dependent variable (variable Y) at CV Green Alu by using entrepreneurial orientation as independent variable (variable X). The indicator for variable X is entrepreneurial orientation, which consists of innovativeness, risk taking, pro-active, competitive aggressiveness and autonomy (Gautam, 2016, pp.48-63). And the indicator for variable Y is business performance that is a form of business intelligence used to

monitor and manage a company's performance, which consists financial focused and customer focused (Mustofa, et.al 2017, pp.82-90). According to the capability and knowledge of the writer, the provided research will be limited. The focus of this writing is to know the effect of entrepreneurial orientation on business performance which is CV Green Alu.

### **1.3 Problem Formulation**

The problem of the research will be:

1. What entrepreneurial orientation that should be used by CV Green Alu?
2. What make CV Green Alu's business performance decrease?
3. How does entrepreneurial orientation affect business performance at CV Green Alu?

### **1.4 Objective of the Research**

Based on the formulation of the problems afore mentioned, the objectives of doing the research are:

1. To understand about the entrepreneurial orientation that has been used by CV Green Alu.
2. To know what makes CV Green Alu's business performance decrease.
3. To understand how entrepreneurial orientation affects business performance at CV Green Alu.

## **1.5 Benefit of the Research**

The results of the study are expected to be beneficial both theoretically and practically which will be elaborated in the following section:

### **1.5.1 Theoretical Benefit**

Theoretically, the completion of this research will provide more in depth discussion about the effect of entrepreneurial orientation on business performance in family business. Furthermore, it can enrich the knowledge of the writers and serves as an input for other writers who are interested in conducting similar or related research in the future.

### **1.5.2 Practical Benefit**

The practical benefits which will be fulfilled in this research are as follows:

#### **a. For the company**

In practical context, this paper provides insight of the importance of entrepreneurial orientation applied in family business that will affect business performance.

#### **b. For the writer**

This research will give more opportunities to the writer to develop wider knowledge of entrepreneurial orientation on business performance.

#### **c. For other researchers**

This research will help them determine whether the entrepreneurial orientation is suitable for their businesses or not.

