

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The concept and knowledge of the business world now support the smooth operation of business or economic activities globally. Business competition in the era of globalization which is characterized by market instability requires competitive companies both in terms of price and quality. Today's business is not only relying on products and services but also relying on the satisfaction and quality of each company in order to compete with other competitors. Without knowing or realizing the increasingly fierce development and competition and increasing quality in order to meet the demands of customers. Service or goods companies must adjust their service supply to the wants and needs of their customers.

Kadlecova (2015) said that service can be defined as intangible aspects. The intangible aspect for the example at the cafe is the table, chair, wifi and others. Intangible aspect brings benefit or value to customers. Service can also be interpreted as how to provide all that is needed by the buyer through the services provided by the company. Services can be given to others as help needed by others themselves or the process of meeting needs through other people's activities involving all the problems intended by others to solve problems.

According to Yurtoğlu (2018) Quality can be defined as a measuring tool for products or services obtained by customers. More and better quality will bring more customers. The word quality has many meanings, but basically, the word refers to a set of innate properties of an object that enables the fulfillments of expressed or implied needs. Besides that quality can also be one important indicator for companies to be able to exist in the midst of intense competition in the industry. Quality is defined as the totality of the characteristics of a product that supports its ability to satisfy the needs specified or specified.

Service quality focuses on customers and services. Across all industries, service quality a critical issue in maintaining business in the competitive market. Services quality is nothing but the difference in service expected and service actually by the customer. This difference is a benchmark by customers whether they expect to be very different or not with what they get. Service Quality can be received by comparing customer perceptions about the services they receive with the services they expect. Quality of service is a major concern for companies, which involve all company resources. The conclusion is service quality is viewed as the gap found between customers expectation for delivered service and their perception of delivered service performance.

PT Asian Bearindo Gemilang was established since 25 July 2011 and is based in North Sumatra, Indonesia. PT Asian Bearindo Gemilang is a subsidiary of the Asian Bearindo Group. Headquarter of PT Asian Bearing Gemilang is

located in Surabaya, Indonesia. Asian Bearindo Group first began as UD Asean Bearings, founded by Mr. Johanes Wijaya in 1982. As years passed by PT Asian Bearindo Gemilang assembled trust and relationship with various brands and companies, thus they are able to carry and provide variety of products and brands from across the world. The company has been around for more than 30 years in this industry and is still going strong till today as PT Asian Bearindo Group has grew, expanded, and extended many branches all over Indonesia. The company has branched into four and they include PT Asian Beltindo Jaya located at Jalan Semarang in Surabaya, PT Asian Bearindo Sejahtera located in Central Jakarta, PT Asian Bearindo Gemilang located in Medan, and PT Asian Bearindo Prima positioned in Semarang. Their company is motivated to always strive to be a solid and trustworthy bearing company that offers not only the best service and quality for products, but also knowledge about bearings. They import bearings internationally from Japan, China, USA and Europe. In order to provide comprehensive products for their customers' needs. PT Asian Bearindo Gemilang extended their range of products to provide related items.

As mentioned before, PT Asian Bearindo Gemilang focuses on providing the best quality products and service to the market. In Medan, PT Asian Bearindo Gemilang located in Krakatau Ujung Street No.52.

PT Asian Bearindo Gemilang have his own brand which is manufactured in China under the brand name ASB. With the existence of a brand under the

company, of course this is a challenge itself as a credible product and whether the product can be marketed and utilized by everyone. Their own brand has also undergone a lot of research starting from ensuring that their goods are marketable, whether the prices they offer can compete with other brands and companies. ASB is a brand established by this company and was founded in 1998. In an aim to ultimately and successfully meet the demands of its customers, both loyal customers and future customers of this company, they have been pursuing the wide range within their products from bearings to other mechanical items that include spherical roller bearings, cylindrical roller bearings, tapered roller bearings, thrust roller bearings and deep groove ball bearings angular contact ball bearings. ASB brand have served clients in these main companies throughout Indonesia. While the assembly line is based in development zones throughout China, they have still been keeping in mind the ultimate goal of ensuring the quality of products containing ASB therefore the company continues to use resources using extensive quality control methods.

PT Asian Bearindo Gemilang the company itself has faced a problem especially in terms of sales' value. The sales of ASB brand can be seen at the graphic and table below.

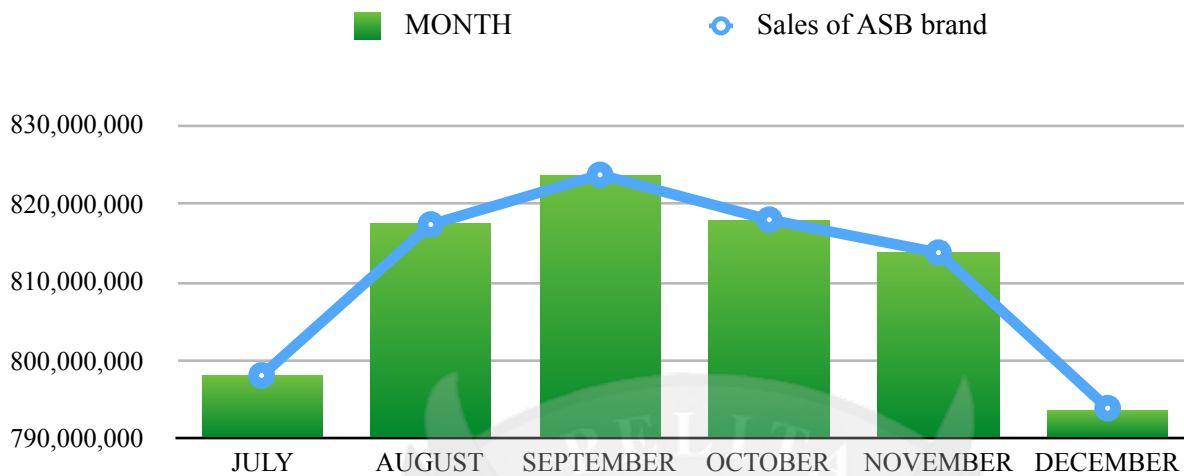


Figure 1.1 Sales of ASB brand at PT Asian Bearindo Gemilang , Medan

Source : PT Asian Bearindo Gemilang, Medan

Table 1.1 Sales of ASB Brand

MONTH	SALES
JULY	RP 798.106.000
AUGUST	RP 817.320.000
SEPTEMBER	RP 823.637.000
OCTOBER	RP 817.928.000
NOVEMBER	RP 813.739.000
DECEMBER	RP 793.839.000

Source : PT Asian Bearindo Gemilang (2019)

The table above describes the sales data of ASB brand for the past six months starting from July to December. In July, sales reached Rp 798.106.000, where sales in August reached Rp 817.320.000, thus indicated a significant growth of Rp 19.214.000. Furthermore, the sales in September and October have accumulated to Rp 823.637.000 and Rp 817.928.000 respectively. Not to mention,

it can be seen from the graph in November sales had decreased from Rp 813.739.000 and declined to Rp 793.839.000. Thus, in reference to the graph above there is an indication of problems that result in a decrease in sales figures. To find out the main problems in the company, the writer conducted an interview with 3 of their customers. From the interviews conducted, it was concluded that there were problems with the availability of the demanded products and problems with the longevity of the product claimed. In conjunction to this, it was analyzed that there delays when tackling hiccups and goods being sent later than they were due. Based on the graphic growth of PT Asian Bearindo Gemilang, it admitted to being worried that it could be a developing threat towards the company. Based on description above, the writer want to conduct the research with title **“The Effect of Service Quality on Organizational Performance at PT Asian Bearindo Gemilang, Medan”**

1.2 Problems Limitation

The writer determines problem limitation according to Nair (2016) on service quality as independent variable with indicator tangibles, reliability, responsiveness, assurance and empathy. Meanwhile for the indicator of organizational performance which has dependent variable there are financial performance, non-financial performance and operational performance. In this

research, the writer will use PT Asian Bearindo Gemilang as the place of research and the time go research is from November 2019 to May 2020.

1.3 Problems Formulation

Based on the background study above, the writer can take problem formulation as follows:

1. How is the service quality in PT Asian Bearindo Gemilang, Medan ?
2. How is organizational performance in to PT Asian Berindo Gemilang, Medan ?
3. Does the service quality effect on organizational performance at PT Asian Berindo Gemilang, Medan ?

1.4 Objectives of the Research

The purposes of this study are to:

1. To find out the service quality of PT Asian Bearindo Gemilang, Medan
2. To find out the satisfaction of organizational performance in PT Asian Bearindo Gemilang implemented.
3. To find out the effect on between service quality and organizational performance at PT Asian Bearindo Gemilang, Medan.

1.5 Research Benefit

This research is expected to provide some benefits either theoretically or practically as follows:

1.5.1 Theoretical Benefit

This research uses the theory of service quality on organizational performance. It is hoped that after finishing this research, there will be contribute on the theory that can contribute to the development of management theory, especially on service quality and international business. The writer hopes that this research will become a benchmark for other researches.

1.5.2 Practical Benefits

The following are the practical benefits from this research:

- a. For the writer, the research could broaden knowledge; give more experience about service quality and organizational performance in real life settings and can identify whether service quality has effect on organizational performance.
- b. For the company itself, this research could contains on how to improve, and gain insight on the effect of service quality on organizational performance of which may increase the sales of the company and for development on the company itself.

- c. For the researchers, this research can be use by employees and industry for their improvement in which, they know how to improve their service quality and company itself understand what can support their performance area.

