

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

The success of a business today can be attributed to many factors. One of the very important factors is the entrepreneur. People often regard the entrepreneur as the innovator or as the expert in finding new ideas for the business. The entrepreneur consistently needs to accomplish a lot such as to devise the action and strategy in business, to obtain the required assets and fund, and to arrange the guidance for the successful business. But the success in entrepreneurship is not just about idea and money. It is crucial for an entrepreneur to have the right personality and attitude.

There are plenty of obstacles that may hinder the progress of the entrepreneurs in establishing the company. This is because they have to enhance the productivity, rivalry, employment generation and to be a great worth to a national economy. It is necessary to possess a good entrepreneurial characteristic in order to create a possible long-lasting company by learning their own strengths and weaknesses. Moreover, they need to keep up with the progress of new technology and to be skilled in its operation for the chance of gaining new markets. Besides that, they need to be innovative in creating new products so that they can compete with others. In general, in order to become a successful entrepreneur, there are some distinctive characteristics to possess such as the capability of taking a risk and chance, innovative, self-confidence, have a strong

vision and mission, and the ability to solve any problems that occurred while conducting the business.

With all problems and uncertainty of establishing a new business, an entrepreneur must believe that they have the capability to perform various roles and tasks of entrepreneurship. So, this is called as Entrepreneurial self-efficacy. Self-efficacy is a needed factor in managing a company. An entrepreneur who has a low level of self-efficacy will not be engaged in the process of creating new venture. Thus, self-efficacy is considered as a powerful indicator for firm performance.

According to Miao (2016), entrepreneurial self-efficacy converts an entrepreneur's belief into effort which can increase the firm performance. As a result, there is a positive relationship between ESE and firm performance. An entrepreneur who has a high degree of self-efficacy will have the confidence in their capability to establish more challenging goals and reach high level of performance. Hence, a higher work satisfaction is ensured and a greater amount of income as well as job creation for the company is shown.

The research was done at PT Able Commodities Indonesia. PT Able Commodities Indonesia was established in 2014. The company is located at Jalan Jermal No 20, Medan, North Sumatera. PT Able Commodities Indonesia is a family business which engages in manufacturing and exporting quality edible oils and fats. This business is in its second generation as the owner's son, Mr. Hery Ng, is now in charge of the daily operation. Since the establishment of the company, it has just purchased the edible oil (RBD Palm Olein) from others and repackaged it

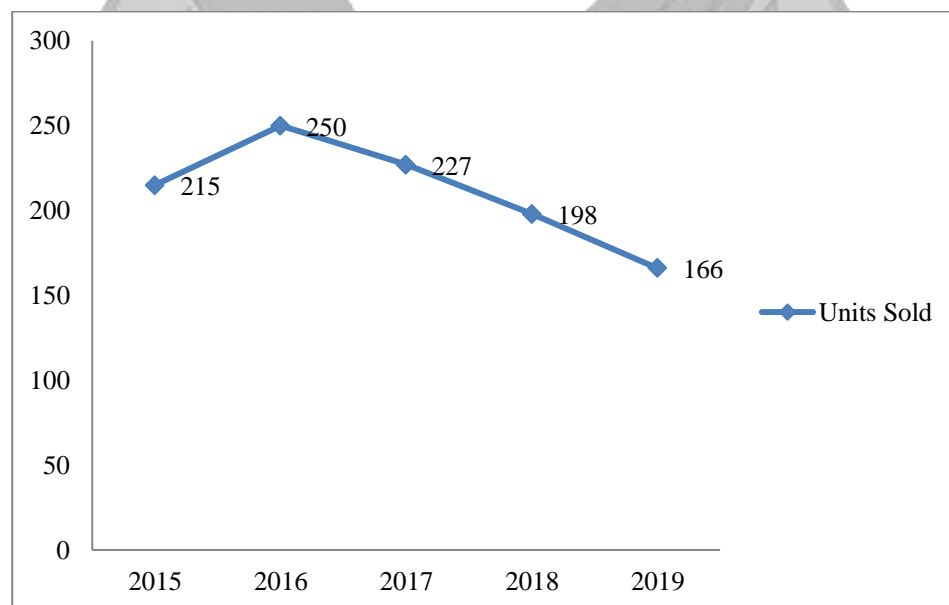
then exported it to Africa. But in the hand of the second generation, the company has been trying to manufacture and export its own edible oil (RBD Palm Olein). Thus, the company needs more advanced machine and technologies in order to produce its own edible oil (RBD Palm Olein).

**Table 1.1**  
**Units Sold for Year 2015-2019**

Year	Units Sold (in fcl)	% Change
2015	215fcl	-
2016	250fcl	+16.28 %
2017	227fcl	-9.2 %
2018	198fcl	-12.76 %
2019	166fcl	-16.16 %

Note :fcl = full container load

Source : Prepared by the writer (PT Able Commodities Indonesia, 2020)



**Figure 1.1 Line Chart of the Units Sold for 2015-2019**

Source: Prepared by the writer (PT Able Commodities Indonesia, 2019)

Based on the figure 1.1, it shows that PT Able Commodities Indonesia face a problem in their sales. The company has been experiencing a fluctuate sales from 2015 to 2019. In 2015 to 2016, there is increasing sales but then in 2016 to 2019 the sales kept decreasing. It can be seen that in 2019, the data shows the

lowest units sold, which is 166fcl. Based on the preliminary interview with some of the managers in the company, the declining sales is due to several factors. Mr. Indra as the sales manager argued that Mr. Herry does not have sufficient self-efficacy in his abilities. As a result, he hesitates to invest on more advanced machine and technologies which makes the production process slowing down and the company is not able to produce its product effectively and efficiently. Since, their current producing machine is not advanced enough in order for the company to produce its own RBD palm olein. Another factor is that Mr. Herry hesitates to create new products and find opportunity which is important for the business success. He does not have confidence to make new investment. Moreover, he also feels that the current business condition is sufficient for conducting the business. The impact of this decision causes the decrease in revenue and its turnover. Mr. Herry's low self-efficacy makes him lose the opportunity to expand its business. He does not realize that his inability to keep with the advanced machines and technologies makes the company unable to compete in this business.

Having realized on the importance of Entrepreneurial self-efficacy on firm performance, the writer chooses the title **“The Influence of Entrepreneurial Self-Efficacy on Firm's Performance at PT Able Commodities Indonesia, Medan”**

## **1.2 Problem Limitation**

There are several possible factors that may also affect the declining performance, such as service quality, product quality, entrepreneurial self-

efficacy, lack of knowledge, lack of skills, and etc. Due to the limitation of time, ability and knowledge, the writer will focus on Entrepreneurial self-efficacy of the second generation of PT Able Commodities Indonesia which is located in Medan, as the independent variable and its influence on the firm's performance as the dependent variable. According to Herath and Mahmood (2014) as cited in Dessyana (2017), indicator of Entrepreneurial self-efficacy are new products and market opportunities, unexpected challenges, existing resources, core purpose, innovative environment, and investor relationship. Further, according to Trade (2000) as cited in Ondoro (2015), indicators of firm performance are effectiveness, efficiency, quality, timeliness, productivity, and safety.

### **1.3 Problem Formulation**

Based on the observation that is done by the writer during the preliminary research in the company, the writer has formulated the following questions to be answered in this study:

- a. How is the entrepreneurial self-efficacy at PT Able Commodities Indonesia?
- b. How is the performance of PT Able Commodities Indonesia?
- c. Does Entrepreneurial self-efficacy have influence on the performance of PT Able Commodities Indonesia?

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

The objectives that the writer aims to achieve in this research are as follows:

- a. To describe the Entrepreneurial self-efficacy at PT Able Commodities Indonesia.
- b. To assess the firm performance at PT Able Commodities Indonesia.
- c. To analyze whether Entrepreneurial self-efficacy has an influence on firm performance at PT Able Commodities Indonesia.

#### **1.5 Benefit of the Research**

There are two types of benefit from the research of Entrepreneurial self-efficacy can influence firm performance at PT Able Commodities Indonesia, namely:

##### **1.5.1 Theoretical Benefit**

The result of this research is expected to improve the theory especially about Entrepreneurial self-efficacy with its relation with firm performance which is still relevant today in the field of economy. Moreover, the research is also done to gain more knowledge related to the theories about self efficacy, firm performance and the relationship of both performance and the actualization of the theories in business world.

### 1.5.2 Practical Benefit

The practical benefits from doing this research are as follows:

- a. For the writer, the research gives the writer new insight and more knowledge about the Entrepreneurial self-efficacy and firm performance. Therefore, it can widen the writer's experience in the real business world.
- b. For the company, the research provides the company a guide in evaluating the overall firm performance and planning strategies for further activities in the company. In addition, the writer also gives the recommendation and suggestion to improve the performance of the company.
- c. For other researchers, the research gives additional information to help them with the reference in the related topic of the entrepreneurial self-efficacy and firm performance.

