

Chapter I

Introduction

1.1 Background

Basically, every company has a goal that the company wants to achieve. Which is where the goal can be in the form of increasing profits or increasing the quality of the company to compete with its competitors. However, to achieve this, sometimes the company does not pay attention to the surrounding environment where the company is only focused on increasing profits without seeing the environmental damage as a result of the strategy implemented by the company.

Therefore, it is important for a company to implement a strategy that has been made as best as possible to improve the performance of the company itself. In addition, company performance can increase depending on the company itself. Improving operational performance is one way to improve the performance of the company itself, where the two are closely related.

In this research, the writer wants to be more specific about the object of the research, which is the research object of the Unilever company. Unilever itself is a company engaged in the consumer goods sector, where our own products can be found everywhere.

Unilever itself has been established since 1800, which was originally a very small family business formed as a result of a partnership. Initially this business was only trading in butter, which was carried out by the Jurgen Family. Then in 1870 when he was successful in

the Dutch market, Van den Bergh expanded his business to England which was one of the largest markets for selling butter at that time (www.Unilever.co.id)

In 1871 the Jurgen family received a patent from the inventor of margarine at that time, namely Mege Mouries. So that in the same year the Jurgen family started making a substitute for butter known as margarine, which is a new product that is processed from animal fat. In 1884 William Lever made an innovation in soap which was originally derived from animal fat, now it is made from copra or pine kernel oil. Which is where the soap is named with Sunlight. In 1886 the product began to be introduced to the public by way of advertisement, which until 1890 this product from William Lever boomed to the European market, America to become one of the largest soap producers of its time.

Along with the development of the times, until 1894 people started to get acquainted with cleanliness and hygiene. Lever brother finally created a new product known as lifebuoy. Continued in 1899 Lever brother again invented a new product to help make homework easier, namely Sunlight flakes / Lux flakes.

In 1900, with increasing competition and difficulty in finding demand to sell soap and margarine products, Jurgen, Lever and Van Den Bergh decided to focus on the source of their raw materials. So that in 1906 Lever brother had his own source for the products he made.

In 1908 Van Den Bergh and Jurgens agreed to conduct joint ventures to dominate the margarine market, whose demand had started to weaken. On the other hand, Lever Brother also created a laboratory to create and innovate its soap products. With an increasingly rapid development in 1922 Lever Brother was able to buy Walls, an ice cream company. (WWW.Unilever.co.id)

Until 1930 Margarine Unie and Lever Brother agreed to create a joint company called Unilever. In 1941 Lifebuoy grew rapidly and became known to many people thanks to a campaign that was created to diligently maintain cleanliness. Not only that, in 1946 Unilever began investing in the Bird Eye company, a company that produces frozen foods.

In 1950 Unilever began its expansion outside the European and American markets, where this time Unilever saw an opportunity in the Asian and African markets. In 1954 Unilever launched a new product known as the Sunsilk shampoo. The development continues by conducting research in the laboratory and doing product development.

Sectors owned by Unilever are also expanding as was the case in 1971 Unilever in that year became the largest tea producer of its time. With increasing profits, Unilever finally built its headquarter in Europe. Which is where not only Europe Unilever also established in India, Brazil etc.

Where Unilever itself is now considered as one of the largest companies in the world with products that can be found in various countries and are always used by many people, is one of the successes that Unilever has achieved. Until in Indonesia, Unilever is very well known among the public, not only that Unilever itself is one of the companies with the nickname BIG Caps on the Indonesia Stock Exchange.

One of Unilever's own strengths is that it not only has many products that are continuously being developed, but Unilever also pays attention to the sustainability of the surrounding environment. Unilever itself has a company goal, namely "the highest standards of corporate behavior towards everyone we work with, the communities we touch, and the environment on which we have an impact." also pay attention to the surrounding environment and its stakeholders.

In Indonesia, Unilever's development can be said to be very fast, because its products are well known to the Indonesian people and the prices are very affordable for every group of society. Every year Unilever always implements an annual theme which in the last 5 years to be precise from 2015-2019, The annual theme has a continuity between 1 and the others, where in 2015 Unilever raised the annual theme "Together for bright future", then in 2016 the theme raised was "Making Sustainable Living Commonplace", in 2017 the theme raised was "Building a sustainable future everyday ", then in 2018 the theme raised was“ Transforming for a sustainable future ”and the last theme in 2019 was“ Purpose-Led and Future-Fit. (WWW.Unilever.co.id)

The themes raised are unique to Unilever, of course, these themes have meaning, which in the last 5 years Unilever has tried and focused on continuing to innovate and always looking to the future.

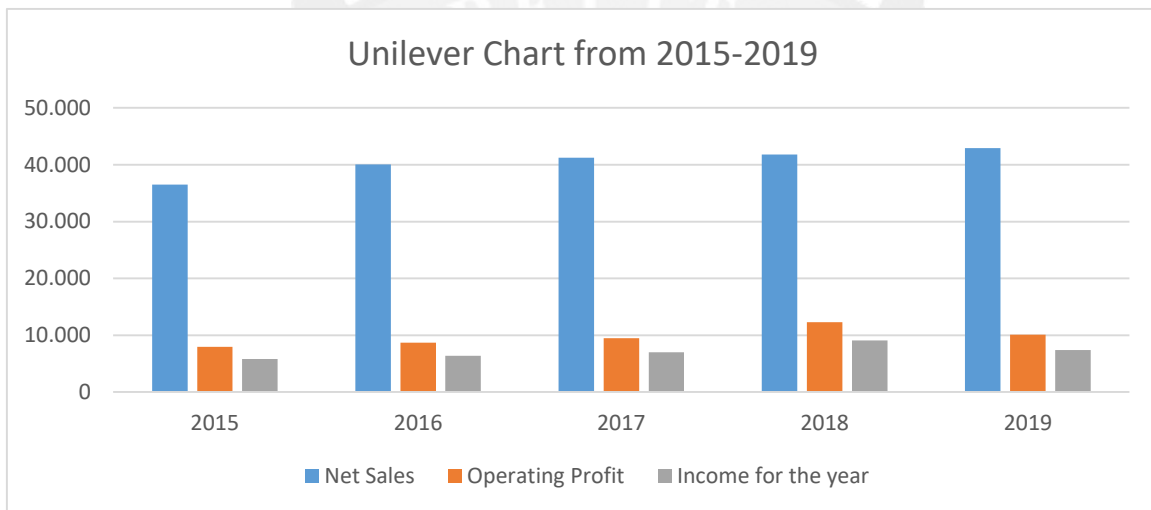
*In Billion Rupiah

Table 1.Unilever Progression Table

	2015	2016	2017	2018	2019
Net Sales	36,484	40,054	41,205	41,802	42,923
Total Asset	15,730	16,746	18,906	20,327	20,649
Operating Profit	7,939	8,708	9,496	12,234	10,121
Stock Price	37,000	38,800	55,900	45,400	42,000

Source:Unilever.com

From the data above, it can be seen that for the last 5 years Unilever has performed very well, with net sales increasing every year, the reason is that Unilever can always make its workforce feel comfortable at work so that every potential workforce can leave, besides Unilever also always helps the workforce to dig deeper into the potential that each workforce has.



Source:Unilever.com

However, in 2019 Unilever's own profit fell slightly by 4.36%, this could happen because there were sales targets that were not achieved at that time. Which is where it becomes a lesson for Unilever itself to be able to continue to innovate. And of course, with good cooperation from all existing divisions, it is believed that in the future Unilever can increase its revenue in the future.

Another important fact is that Unilever itself has been established in Indonesia for 86 years. Which is where Unilever itself can be categorized as one of the old companies established in Indonesia. In addition, Unilever has won 48 awards by 2019. Unilever's

workforce has reached approximately 5400 people and Unilever has 9 factories spread across Indonesia to produce its products. (WWW.Unilever.co.id)

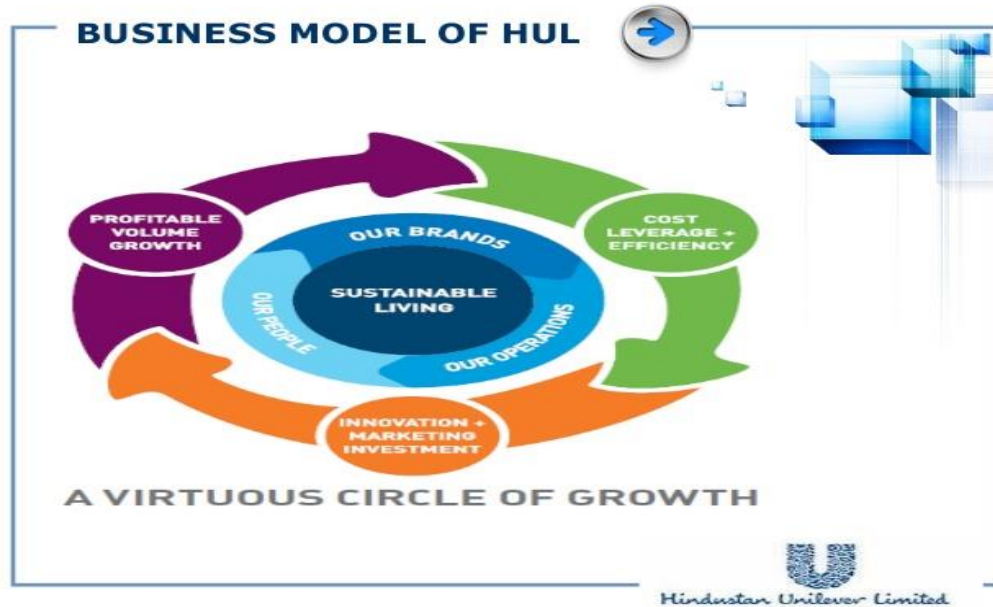


Figure 1.1 Business Model Hul Unilever

Source : Unilever.com

This image is a form of Unilever's own business model. In addition, Unilever's business model is one way to achieve sustainable value from each product produced. The first circle which contains (Brand, People and Operation) is the main core (the main driver) that Unilever is concerned about, whereas the outer circle (Innovation, Cost Leverage, and Profitable) is an external factor that describes how Unilever continues to strive to increase profits.

Even though Unilever is known as one of the big companies and has an environmentally friendly image related to its recyclable products. However, in Unilever's history, Unilever has committed actions that damage the environment as a result of the activities of Unilever companies. The best known are palm oil issues that affected Unilever.

Which is where this problem is caused because Unilever is a company that produces soap, detergents, cosmetics and almost all Unilever products need palm oil. Palm oil is obtained by purchasing from companies in Indonesia.

Due to Unilever's request, palm oil companies are increasingly clearing forests in the Kalimantan area. Which makes sooner or later the shelter of the orangutan starts to be eliminated. Unilever created their products to help people in doing their daily life, but in fact they are also destroying other endangered lives. So that in 1800 Unilever was criticized by Greenpeace for its actions.

In addition, there are other events such as Unilever mercury waste. This incident occurred when Unilever began to expand into India and purchased several factories to be used as production sites for Unilever products in India. As time went on, until 2001 there were 7,4 tonnes of mercury-contaminated wastes around Kodaikanal in Tamil Nadu found. Kodaikanal itself was one of the most beautiful places in South India at that time. Which eventually led to protests from the surrounding community because they thought that the activities carried out by Unilever were detrimental to the surrounding community. Until 2001, Unilever finally built a special disposal channel for mercury so as not to damage the surrounding area. (UKEssay,2018). Based on these data, the reason why this research was conducted was to determine the impact of implementing environmental management for Unilever companies themselves. So that in the future many companies pay more attention to the environment around where the company operates so as not to harm the surrounding community.

In measuring how well the operational performance of a company is, basically everyone has different perceptions in measuring how well a company is performing (Hashem,

2020). However, in theory, company performance is measured based on capability and ability of an organization to efficiently utilize the available resources to achieve accomplishments consistent with the set objectives of the company, as well as considering their relevance to its users (Hashem, 2020).

Apart from other factors that can also have an impact on the company's operational performance or the performance of the company itself, it is based on the size and age of the company itself. Which in theory the age of the company is closely related to the size of the company itself (Greiner, 1972 cited by Maja et al, 2017). Another theory states that the smaller and younger the company is, the easier it is for the company to develop compared to large and old companies (Gibrat, 1931 cited by Maja et al, 2017).

Therefore it can be concluded that there is a relationship between the size and age of a company on the operational performance of a company and the performance of the company itself. In addition to the age and size of the company, there are other factors that can affect the performance of a company, this factor is the environmental management system.

By implementing an environmental management system, the company can build a good image in front of the public and attract more consumers. In addition, another thing is that companies can also attract the attention of investors to invest in the company (Biao & Kekun, 2017). Therefore it can be concluded that there is a relationship between company age, company size and environmental management system on company performance.

The size, age, and environmental management system are often underestimated for large or long-established companies. Therefore, in writing this time the author wants to prove

that the factors that are often underestimated have a very important influence on the company going forward.

From the data that researchers have obtained and then based on the history of Unilever itself, the environmental management variable has a significant impact on the operational performance of Unilever companies. Which is based on the data that has been obtained that companies that do not pay attention to environmental issues have a negative impact on the company itself so that operational activities are hampered so that in the future it can reduce the profitability of the company (Gaddene et al, 2012 cited by Ikram et al, 2018).

1.2 Research Purpose

In every doing something there must be a goal to be achieved. Which is where in conducting research there are certain goals to be achieved. The researcher itself defined goal as the desired end result of an action that is expected to be achieved at some specified time in the future and toward which all effort and essential resources are committed to achieving (Nanji et al,2013 cited by Osahon ,2017).

There are several objectives to be achieved in this research :

1. To Know the impact of the firm age on company performance.
2. To Know the impact of the firm size on company performance.
3. To Know the impact of the environmental management on company performance.
4. To Know the impact of the firm age on operational performance.
5. To Know the impact of the firm size on operational performance
6. To Know the impact of the environmental management on operational performance.

1.3 Research Questions

There are several questions to be answered in this study:

1. Is there a positive influence of environmental management on company performance?
2. Is there a positive influence of environmental management on operational performance?
3. Does firm age affect operational performance positively?
4. Does firm age affect company performance positively?
5. Is there a positive influence of firm size on company performance?
6. Does firm size affect operational performance positively?

1.4 Research Benefit

The advantages of this research are of course very many. One of them is in providing understanding and understanding to readers to find out how much the impact of firm size, firm age and environmental management can affect the performance of a company. Apart from that, this research can also help developing companies understand how important factors such as age, size and environmental management can influence the company going forward. In addition, in this context, it is more specific so that it can help Unilever in its future development and innovation.

1.4.1 Theoretical Benefit

The benefit of this research is to assist Unilever companies in knowing the shortcomings of the strategies that have been made for the future. Which, as everyone knows, Unilever's company itself is a company that has long been established in Indonesia, besides that, with the size of the company that is already very large and has

implemented an environmental management system, of course there are still many shortcomings.

Therefore, this research is expected to minimize these deficiencies so that in the future the Unilever company can further develop and can have an impact on the workforce who works in it and the community outside. The above matters cannot be separated from the theoretical framework which is the basis of this study. Which, with this theoretical framework, makes the research conducted by researchers more structured, meaningful and generalizable (Akintoye, 2015 cited by Dickson & Emad, 2018).

1.4.2 Practice Benefit

The benefits that Unilever can do are knowing how much impact the firm age, firm size and Environmental Management have on the company. Knowing which Unilever can make better policies and strategies going forward. And of course this can also provide an example for small companies to also pay attention to firm age, firm size and environmental management as a basis for making company strategies.

1.5 Writing System

Research itself could be defined as systematic investigation and study of material and sources in order to establish facts and new conclusions (Oxford Dictionaries,2010 cited by Mohamed & Amr ,2018). Which then the writing of the research itself is divided into several parts, namely:

Chapter 1 Introduction

This chapter discusses the background and theories related to firm age, firm size and environmental management. In addition, a basic discussion and basic understanding of firm age, firm size, environmental management are also discussed in this chapter. Which is where chapter 1 is a foundation / basis of this research.

Chapter 2 Literature Review

Chapter 2 discusses the form of this research model, besides that the hypotheses between variables are also included in this chapter. Which is where the purpose of this chapter 2 is to provide further and clearer understanding to readers about the variables used in this study.

Chapter 3 Research Method

Which, as the name suggests, in this chapter is about how researchers collect the required data. Which then the data is processed in such a way with existing tools. In addition, this chapter contains the process of how the data is processed, until the data that has been processed until the end, conclusions can be drawn in the next chapter.

Chapter 4 Research Results and Discussion

In chapter 4, the results obtained from data processing can then provide a real picture for the readers. Regarding how the variables that have been studied can impact one another. In addition, in this chapter the results can be discussed further to provide recommendations or suggestions for the companies that have been researched.

Chapter 5 Conclusions and Recommendation

At the end of this chapter the final discussion is related to how to provide solutions and recommendations to the companies under study in accordance with the data that has been obtained. Besides that this chapter can also provide an overview or general recommendation to companies engaged in the same sector or other companies to find out the advantages and disadvantages that exist.

