

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In the era of globalization and the 4.0 industrial revolution, more and more people are able to open their own businesses through various platforms. competition between. Businesses are an inevitable need. Both in terms of maximum yield number of consumers, competing for control of market share or competing in winning tenders or projects that have high economic value. Some companies were able to grow while many of them barely survived and even closed due to significant decline in revenue and other factors. Companies have their own way to dominate the market. Competition in business is often misunderstood. Competing is defined as an act of selfishness. In doing business, this will actually bring down the company. Good corporate governance is the main key to success where it will help to maintain the company's vision and mission that has been planned in such a way as to be maximally optimized. (Susanti Adi Nugroho, 2014: 232); Evita et.al, 2019)

According to Harmono (2015) as cited in agriyanto et.al (2019), company profitability is one of the main goals of business people starting their business. This makes profitability a determining fact for firm sustainability. A good company has positive financial performance and income, which can attract the attention of various investors to invest in and partner with other companies. The current digital era makes companies competing to increase profitability by exploiting their resources as much as possible and often ignoring the impact that

will be caused. Ethics in doing business emphasize that the company is not only fixated on profit but also on social, economic and environmental issues. Social, economic and environmental responsibilities can be disclosed through sustainability reports. The company also encourages activities that allow the company to grow with sustainable assistance and the periodic reports are an overview of the company's activities in sustainable development.

Many new businesses and companies have emerged, it force existing business owners to expand their business expertise. The transportation business is currently booming, starting from small cargo to large equipment. PT Transnusa Jaya Mandiri, a company from North Sumatra that engage in heavy equipment transportation. This company was established in 2016 in Medan, as a development of CV Teguh Jaya Mandiri. They are engaged in Container Transport, Heavy Equipment, Hydraulic Jack & Project Logistics Services. This company is a family business where three siblings work together and taking charge of the decision making process. They are Mr Joni, Mr Johan and Mrs Hernawati. The company was founded of Mr Joni where he saw the opportunities and wanted to try on a new industry. The siblings cooperated and each of them handle their own responsibilities with their expertise with the help of the non family members within the company. The company based in Medan, North Sumatra has begun to expand their market to other islands such as Java and Kalimantan due to the limited market in the Sumatra region. The company is still growing but they face several problems where their profit is not significantly increasing and staying constant. We can see it from table 1.1

Table 1.1 Profit of PT Transnusa Jaya Mandiri

	Year				
	2016	2017	2018	2019	2020
Gross Profit	IDR 1.2 B	IDR 1.25 B	IDR 2.33 B	IDR 2 B	IDR 2.2 B

Source ; PT Transnusa Jaya Mandiri

From the table, PT Transnusa Jaya Mandiri is able to achieve grow and increase their profit from 2016 – 2018, The profit increase by 62.5 % in 2017 but only 19.4 % in 2018. In 2019, the numbers drop by 14.16% to 2 Billion and increase by 10% in 2020. We can see that the company faced problem in maintaining and increasing their profit in the last 5 years. Even though they make profit, they certainly have obligations to pay such as taxes, transportation and maintenance costs for their unit, and employee salaries. Not to mention, the percentage of profit sharing for shareholders, project owners and others. The unstable profit figure has hampered the company's growth, especially the heavy equipment transportation industry. They are considered slow in growth as their transport unit is constant and limited.

Inefficiency in implementing corporate governance is one of the main factors, this makes the parties in it indifferent to the condition of the company and many are still only working without any thought of helping to grow the company. Every company has a system that controls and regulates all activities within the company which is known as corporate governance. Implementing a good system will create added value to every party in the company.. Companies must be transparent in providing information to stakeholders. Negligence in this case will damage the image and progress of the company. Inaccurate, timely, and non-transparent submission of all information on company performance, ownership,

and stakeholders causes cases of financial malpractice. This is caused by poor corporate governance . (Sulistiyanto and Wibisono (2008) in Manossoh (2016)

The writer has decided to do in depth analysis about this company. The research entitled **“The effect of Corporate Governance on Firm Sustainability at PT Transnusa Jaya Mandiri, Medan”**

1.2 PROBLEM LIMITATION

In order for this research to be carried out more focused, accurate and in depth, the writer will set up limitation as follow :

1. The chosen variable will be related to Effect of Corporate Governance on Firm Sustainability at PT Transnusa Jaya Mandiri and it is limited into two variables. Corporate Governance as variable x or independent variable and Firm Sustainability will be variable y or dependent variable.
2. The data is gathered from the head office of PT Transnusa Jaya Mandiri located at Jalan Brigjend Zein Hamid No. 168 C Km 6.5, Medan
3. Due to limited time available from the company stakeholders, The data will be retrieved through questionnaires distributions to 60 stakeholders of the company using simple random sampling method and simple linear regression data analysis with SPSS

1.3 PROBLEM FORMULATION

Based on the problem limitation that has been chosen, this research intend to answer the following questions :

1. How is the implementation of Corporate Governance at PT Transnusa Jaya Mandiri?
2. How is the sustainability of PT Transnusa Jaya Mandiri?

3. Does Corporate Governance have any influence towards the firm sustainability?

1.4 OBJECTIVE OF THE RESEARCH

Providing more insight and understanding of the influence of corporate governance on the sustainability of the company. As the purpose of this study, we are able to find out the following issues:

1. To discover the condition of corporate governance at PT Transnusa Jaya Mandiri
2. To discover the firm sustainability condition of PT Transnusa Jaya Mandiri
3. To know how Corporate Governance effect firm sustainability at PT Transnusa Jaya Mandiri

1.5 BENEFIT OF THE RESEARCH

This research is expected to bring benefit both theoretically and practically

1.5.1 THEORETICAL BENEFIT

The completion of this research will help to contribute for the academic purpose, providing understanding or thought as input of scientific knowledge or literature that can be used as study material of the effect of corporate governance and firm sustainability. As a result, it will enrich the writer knowledge and improve the future understanding or discussion regarding this topic.

1.5.2 PRACTICAL BENEFIT

The writers expects this research will give benefit as follows :

1. For the writer

This research will provide more insight on how corporate governance affects company sustainability and is expected to be able to apply it in real life.

2. For the company

This research can be used as a reference on how the process of implementing good corporate governance will encourage and maintain company sustainability

3. For other researchers

This research can be used as a reference and material for discussion for future research

