

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Recently, in the business era, most entrepreneurs establish the company in their own different ways. The products, services, and even their innovation makes the company to get more sales in the marketplace. Besides that, there are also new competitors which starts to compete with the existing company by making the same actions. As a result, the existing company will become less attractive to the customers, which their products and services are basically identical. In other words, the entrepreneurs must take risks of making a unique action to exceed the competitor's expectations, such as competitive advantage. Some entrepreneurs are likely to ignore on optimizing each employees' potential that could improve the company's firm performance.

Entrepreneurial Orientation creates a benefit to create a concept and planning in the entrepreneurship program. Basically, the topic is chosen by many people in the field due to the wide variety of concepts, such as linking entrepreneurial orientation and firm performance as a main topic (Soares and Perin, 2019). Despite that, many entrepreneurs play their role in the business with an entrepreneurial discipline, such as being innovative, proactive, and risk-taking to gain competitive edge over competitors in the worldwide (Hayat et al., 2019).

According to Wang (2008), as cited in Rezaei and Ortt (2018), the combination of entrepreneurial orientation and firm performance in investigation do not provide the writer a direct picture. In other words, the writer will investigate further by exploring how entrepreneurial orientation influences the overall firm performance.

Innovativeness emphasizes at a firm's workflow, that innovates the employees by supporting new unique ideas, experiments, and process, which could gain opportunity to produce new products (Proactiveness refers to seek new opportunities to gain competitive advantage against competitors and being a risk-taker that take a lead to approach uncomfortable zone for better experience and commitment to the risky resources (Rezaei and Ortt, 2018).

Firm performance is the overall data that is recorded and monitored as a progress of the company perform for their profit and non-profit businesses (Jarad et al., 2010, as cited in Hayat et al., 2019). While the company is running the business, the movement that involves a progress of their planning, for example, planning of being innovative, will be recorded into the firm performance.

This research is done at PT Pasti Jaya Elektrik, Medan, which is a family business company that was established in 2015 by Mr. Suwandi. PT Pasti Jaya Elektrik is located at Jl. Pabrik Kimia No. 28 D&E, Sei Putih Tim. I, Kec. Medan Petisah, Kota Medan, Sumatera Utara 20111, Indonesia. PT Pasti Jaya Elektrik, Medan. Furthermore, this company sells products coming from popular brands of the electricity products, which consist of Miyako, Hanochs, Panasonic, and Uticon, etc.

In 2015, PT Pasti Jaya Elektrik, Medan began to distribute the products from popular brands, such as lamps and fans from Miyako and Hannochs, then adding other electricity brands throughout the year. Moreover, PT Pasti Jaya Elektrik eager to expand its business to another larger city, such as Jakarta and Surabaya.

In addition, this is a data of revenue expectation and realization for the past 6 years, which can be seen from the table below:

Table 1.1 Data of Revenue Expectation and Revenue Realization in Year 2015-2020

Year	Revenue Expectation	Revenue Realization	Percentage (%)
2015	Rp30,000,000,000	Rp24,179,828,431	80.599%
2016	Rp30,000,000,000	Rp27,201,935,736	90.673%
2017	Rp30,000,000,000	Rp25,877,659,497	86.259%
2018	Rp30,000,000,000	Rp26,588,489,941	88.628%
2019	Rp35,000,000,000	Rp30,394,572,609	86.842%
2020	Rp35,000,000,000	Rp27,881,409,273	79.661%

Source: Prepared by the Writer (PT Pasti Jaya Elektrik, 2021)

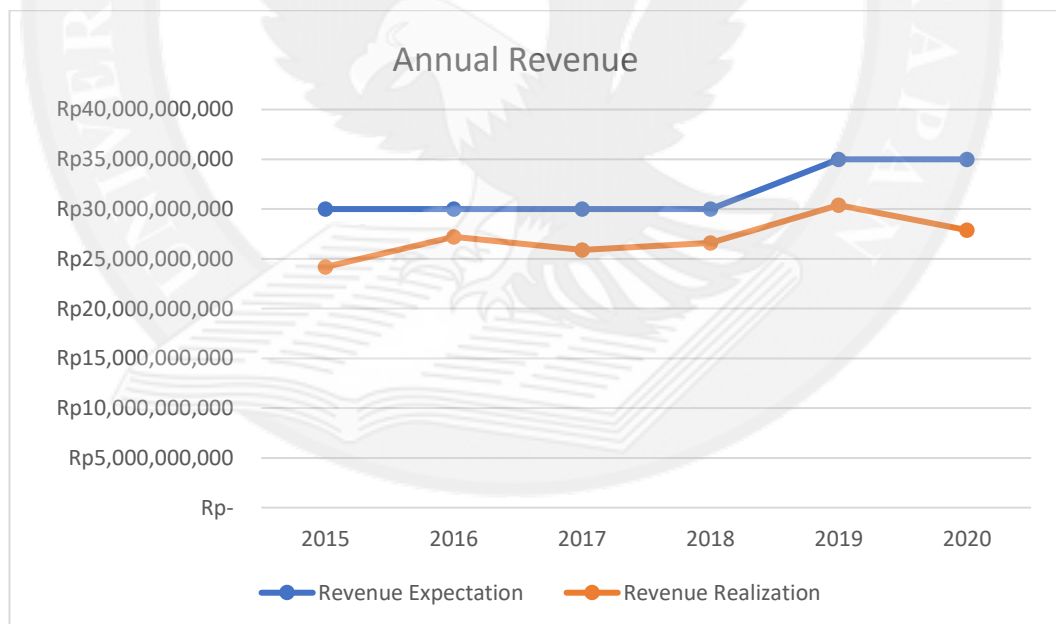


Figure 1.1 Annual Revenue in Year 2015-2020

Source: Prepared by the Writer (PT Pasti Jaya Elektrik, 2021)

Based on the table above, the data shows the company annual revenue has significantly increased in 2016, then the company suffers on decreasing rate in

2017, however, the revenue starts to recover in 2018 and 2019. However, in 2020, the company's annual revenue is recessing due to the pandemic situation. In other words, there are several problems related with entrepreneurial orientation that could influence through the firm performance. As a result, the writer is eager to analyse in depth about how the entrepreneur decides the employees to do inside the company as it plays an important role to influence the firm performance.

Referring to the background of the study above, the writer is curious to conduct a research of the company whether they can perform the entrepreneurial orientation and firm performance, which will be written in a research with the title **“The Influence of Entrepreneurial Orientation on Firm Performance at PT Pasti Jaya Elektrik, Medan”**.

1.2 Problem Limitation

As the result of the research need to be conducted for more accurate research, the writer will limit to entrepreneurial orientation as independent variable (X) and firm performance as dependent variable (Y). According to the capability and knowledge of the writer, the research will be limited. The object of this research is the office employees to find out the influence of entrepreneurial orientation on firm performance at PT Pasti Jaya Elektrik, Medan.

The indicators of Entrepreneurial Orientation as independent variable such as: innovativeness, proactiveness, risk-taking, competitive aggressiveness, and autonomy (Fadda, 2018) and indicators of Firm Performance as dependent

variable such as market performance, growth performance, and employee satisfaction (Selvam et al., 2016).

1.3 Problem Formulation

To find out how Entrepreneurial Orientation (EO) influences the firm performance at PT Pasti Jaya Elektrik is the target of the research. Therefore, there are several questions that support the research, consist of:

- a. How is the entrepreneurial orientation at PT Pasti Jaya Elektrik, Medan?
- b. How well has PT Pasti Jaya Elektrik, Medan been performing?
- c. Does Entrepreneurial Orientation (EO) have influence on firm performance at PT Pasti Jaya Elektrik, Medan?

1.4 Objective of the Research

To find the crucial role of Entrepreneurial Orientation (EO) influences the firm performance at PT Pasti Jaya Elektrik, Medan, the writer hoped that the responds will result better details of Entrepreneurial Orientation (EO) influences firm performance.

Thus, the purpose of this study is:

- a. To find out the entrepreneurial orientation at PT Pasti Jaya Elektrik, Medan.
- b. To find out how well the firm performs at PT Pasti Jaya Elektrik, Medan.
- c. To understand on how Entrepreneurial Orientation (EO) have influence towards firm performance at PT Pasti Jaya Elektrik, Medan.

1.5 Benefit of the Research

The results of the study are expected to be essential both in theoretical and practical benefit, which will be conduct as follows:

1.5.1 Theoretical Benefit

The accomplishment of this research will provide as an extra knowledge and understanding about Entrepreneurial Orientation influences the firm performance. As a result, the reader can be attractive in the writer's context and provide educational material for those who have similar topics.

1.5.2 Practical Benefit

The writer expect that this research will gain three benefits, which consist of:

- a. For the writer, this research would improve the experience in Entrepreneurial Orientation and firm performance in real life situation.
- b. For the company, this research would become as a point of view that able to be improved in the future by integrating the entrepreneurial orientation through several indicators.
- c. For other researchers, this research would be appointed as their references when they conduct a similar topic in the research.