

# **INFLUENCE OF ENTREPRENEURIAL ORIENTATION TOWARDS CUSTOMER SATISFACTION AT CV ROYAL UTAMA MEDAN**

## **CHAPTER 1**

### **Introduction**

#### **1.1 Background of the study**

In this modern era, businesses should gain competitive advantages in order to survive and keep growing. Competitive advantages could affect both a business' market share and financial performance simultaneously (Nuryakin and Retnawati, 2016). One key factor to gain competitive advantages is by applying proper Entrepreneurial Orientation (EO). Miller (1983), as cited in Rezaei and Orrt (2017), stated that : “an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch”. In other words, there are 3 main elements in EO, which are : Innovativeness, Risk-taking, and Proactiveness.

To compete against the much fiercer business environments, entrepreneurs should possess the essential spirits needed to face the competition. Recent studies found out that Entrepreneurial Orientation (EO) in the reality could increase a firm's performances (Li et al. 2009; Soininen et al. 2012; Arif et al. 2013; Roxas and Chadee 2013; Anderson and Eshima 2013).

According to Rezaei and Orrt (2018) , a business could perceive competitions from two points of view, an opportunity or a threat. Entrepreneurs should be able to make use of the competitions in the market to benefit them by pushing their entrepreneurial spirit to the maximum level. While on the other hand, if not handled properly, competitions could give a massive punch to a business survival. In other words, competitions act as a medium to enable companies to see what is actually needed in the market and used to deliver customer satisfaction (Nuryakin and Farida, 2016).

Customers are one of the most important stakeholders in a business. They act as the main revenue streams and therefore, it is safe to say that Customer Satisfaction (CS) plays a vital role for a business to gain profits and achieve its long term goals. Long term goals could be achieved effectively by having numerous good customers, and customer satisfaction is the key to it (Loftabadi, 2018) .

Customer satisfaction could also result in customer loyalty and retention which will help a company to expand their business. Additionally, with great customer satisfaction, customers' "word of mouth" is also one major factor in business branding. With that being said, companies should aim to satisfy their customers needs by creating unique value.

CV Royal Utama Medan is the research object for this final paper. It is a small-medium enterprise (SME) based in Medan, which mainly focus on the office stationary industry. CV Royal Utama Medan was founded by Mr. Hasian Lim, who currently serves as the sole owner of the company. The business itself is located at Jalan Harimau No.25, Medan, Sumatera Utara, Indonesia.

For this final paper, CV Royal Utama Medan is considered as a family business as there are intentions of the owner to pass the business to the second generation. Mr. Hasian has four childrens, namely: Jonatan, Ronald, Cindy, and Felicia. The two sons are currently involved and helping to expand the business. Furthermore, the business is fully controlled by the family members, with Mr. Hasian and his wife having the most power in running the business.

The company mainly gain profits by distributing their products wholesalely to supply other businesses in the area of Medan and nearby city, such as: Binjai, Stabat, Lhoseumawe, Bireuen, Siantar, etc. Besides doing B2B transactions, CV Royal Utama Medan also sell their products directly to the end user (B2C) through their offline store and online store (marketplace).

Assumption that is considered as the problem that CV Royal Utama Medan is facing is that they are lacking of customer retention. The evidence of this phenomenon is that the owner of CV Royal Utama Medan often complaints about their customer loss from their B2B transactions in recent years. They often encounter problems where customers decided to stop doing transactions and end their business relationship with CV Royal Utama Medan in recent times. Similar problem are also met in their B2C transactions where customers come and go buying products from their store, but not much are doing repeat orders. Based on this observation, the writer assumes that customer satisfaction is one of the reasons behind that might contribute in this phenomenon.

**Table 1.1 Numbers of Active Customers from B2B transactions in CV Royal Utama Medan Yearly**

Year	Number of Active B2B Customers	% Changes
2016	85	-
2017	89	+ 4,7%
2018	84	-5,6%
2019	80	-4,7%
2020	77	-3,8%

**Source: Prepared by the writer (CV Royal Utama Medan).**

Customer satisfaction could affect many aspects of a customer-related performances. Some of them are: customer loyalty, recommendation, and perceived value. Interestingly, these indicators could relate to each other in many ways. For instances, companies should satisfy their customers needs and wants in order to retain customers and gain customer loyalty. Furthermore, Satisfied customers are more willingly to recommend other peoples to buy from a company than not-satisfied customers.

Therefore, customer satisfaction is an important factor to be observed in this final paper project. CV Royal Utama Medan's customers might have a great perceived value of their company and recommend their business to the others. This could also resulted in increases of customers level due to the factor of

recommendation from satisfied customers. Therefore, in order to test those assumptions, the writer is curious to accomplish this final paper.

On the other hand, based on the writer's self experience as a customer of CV Royal Utama Medan, the writer discovers that the company has already provided a great customer experience with great product and service quality. Nonetheless, one aspect where CV Royal Utama Medan could enhance to increase their business performances is through entrepreneurial orientation (EO). The writer assumes that CV Royal Utama Medan could satisfy their customers more by enhancing their EO levels.

For the reason being, the writer is curious about the research topic results and wanted to do a final paper project with the title of **“Influence of Entrepreneurial Orientation towards Customer Satisfaction at CV Royal Utama, Medan”**

## 1.2 Problem Limitation

Limitation is required to focus on the topic that does really matter and go in depth to explore the problem. Therefore, the writer decided to do a research about the problem by :

- a. The data to conduct this research will be collected from the B2C customers of CV Royal Utama Medan.
- b. The research will include two (2) variables, which are: Entrepreneurial Orientation (EO) as the independent variables, with indicators of : innovativeness, risk-taking, and proactiveness; and Customer Satisfaction as the dependent variables, with indicators of : satisfaction, loyalty, and recommendation.

### **1.3 Problem Formulation**

This research's objective is to analyze and determine the influence of EO towards Customer Satisfaction in CV Royal Utama Medan. Hence, by the end of this final paper, reader is expected to find the answer of the following questions :

- a. How is the implementation of entrepreneurial orientation at CV Royal Utama Medan?
- b. How satisfied are the customers of CV Royal Utama Medan?
- c. How does entrepreneurial orientation influence the customer satisfaction at CV Royal Utama Medan?

### **1.4 Objective of The Research**

By doing this research, the writer expects to determine the influence of EO towards customer satisfaction at CV Royal Utama Medan. Therefore, the main objectives of this research are:

- a. To understand more about the implementation of entrepreneurial orientation at CV Royal Utama Medan.
- b. To discover the customer satisfaction level at CV Royal Utama Medan.
- c. To find EO's influences on customer satisfaction at CV Royal Utama Medan.

## **1.5 Benefit of The Research**

The benefits of this research are classified in two main forms, such as : theoretical benefit and practical benefit.

### **1.5.1 Theoretical Benefit**

Theoretically, the writer expect this final paper to act as an extra learning methods to enrich its understanding of the particular topic. Moreover, the writer also expect this research to be useful and improve existing theory.

### **1.5.2 Practical Benefit**

By accomplishing this final paper, the writer expects the research result could be useful for :

a. The writer

Hopefully, the writer could gain extra knowledges and experiences in the real life situation, especially in CV Royal Utama Medan.

b. The company (CV Royal Utama Medan)

This research is expected to be useful for CV Royal Utama Medan to gain more in-depth insights of its EO and customer satisfaction and help them to improve the business.

c. Other researchers

This research is also expected to be useful to other researchers as references and further research under similar topics.