

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Indonesia was awarded the vast sea with a variety of fish resources in it. Indonesia is the largest archipelago in the world because it has an area of the sea and a large number of islands. Long Beach Indonesia reached 95.181 km (Ambara, 2014) with a sea area of 5.4 million km<sup>2</sup>, Indonesia dominate total territorial area of 7.1 million km<sup>2</sup>. This potential puts Indonesia as a country endowed with huge marine resources including biodiversity and the largest non-living marine (kmip.faperta.ugm.ac.id, retrieved on 6 March 2017).

Indonesia has a fishery resource covering, fishing in public waters covering an area of 54 million hectares with a production potential of 9 million tons / year. Mariculture consisting of fish farming (include snapper, grouper, and gobia), cultivation of molluscs (oyster, pearl, and sea cucumbers), and the cultivation of seaweed, brackish water (ponds) are potential land development reached about 913.000 ha, and cultivation freshwater consists of public waters (lakes, reservoirs, rivers, and swamps), a freshwater pool, and mina rice in paddy fields, as well as marine biotechnology for the development of marine biotechnology industry such as industrial raw materials for food, industrial materials natural food, fish seed and shrimp and foodstuffs industries. The magnitude of the potential of marine and fisheries Indonesia reached 3,000 trillion per year, but that has been exploited only about 225 trillion or about 7.5% only (kmip.faperta.ugm.ac.id, retrieved on 6 March 2017).

Especially for Indonesia's fisheries potential is abundant so it can be expected to be the leading sectors of the national economy. The potential for it to be used optimally and sustainably, this task is a shared responsibility of government, communities, and employers in order to increase incomes and state revenues that lead to people's welfare.

DataFood Agriculture Organization (FAO) reveals that in 2009, the world population is expected to reach 6.8 billion by the level of provision of fish for consumption was 17.2 kg / capita / year. In the same year, the level of provision of fish for consumption Indonesia far exceeds the world community, that is equal to 30kg / capita / year (CTF, 2009). Note that the trend growth rate of the world population demanding an increase in fish production. So in conclusion is that the marine product are becoming one of the most food that are being bought buy people to eat or sell again (setkab.go.id, retrieved on 6 March 2017).

Opportunities for business development of fisheries Indonesia has very high prospects. The economic potential of marine resources and fisheries that can be used to stimulate economic growth is expected to reach USD 82 billion per year. Sustainable potential Indonesian marine fish resources of 6.5 million tonnes per year spread in the territorial waters of Indonesia and the Indonesian Exclusive Economic Zone waters (ZEEI) divided into nine major Indonesian territorial waters. Of all the potential of these resources, in order to maintain the sustainability of fish stocks total allowable catches (JTJ) amounted to 5.12 million tons per year (<http://setkab.go.id>, retrieved on 6 March 2017).

Volume and value of production for each of the main commodity aquaculture in 2010-2014 increased, consisting of: (1) The shrimp has increased on average per year by 14.03%; (2) the grouper has increased on average by 9.61% per year; Seaweed has increased an average of 27.72% per year (setkab.go.id, retrieved on 6 March 2017).

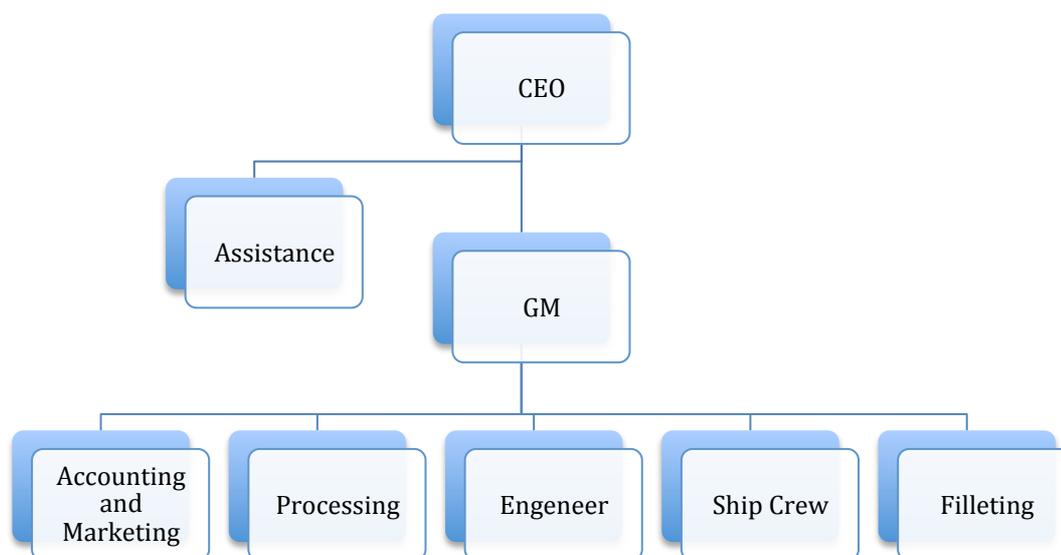
Some issues that happen in the fishing company in Indonesia are about the technologies being use, the regulation from the export country and also the regulation from Indonesia minister. The technologies that being use by some of Indonesias company are quite traditional and still not effective. But, some of the company always stay tune on the latest technologies. This technologies are like the engine that being use in the fishing boat, the cold storage to store the fish, and also the container or transportation to delivered the fish. This cold storage is one

of the issues that are very crucial, this is because that cold storage is the place where the fish being store after being caught. This fish may stay 1 to 2 days or may be longer to be bought bt the customer. So the reason in kepp update on the cold storage is because the cold storage can help to prevent the fish from any bacterias that may harm the quality of the fish. Technological factors in the activities of fisheries, means doing the choices of technology used. This is important, because the potential fishery resources available and the type of business that can be developed is also quite diverse, and generally is capital intensive. The development of technology, it is possible for fisheries business to increase production and productivity. With the technology, fishery products are known to be broken / rotten, can be maintained freshness level (quality) for a long time. Based on what the CEO said, “shrimp and tuna are becoming commodity strength comparative and concerns the economic life of the wider community continue to experience disruption to exports and imports such as the issue of dumping and subsidies of the USA and the EU, cases of environmental violations of the USA and the EU, illegal fishing of Japan, strict quality requirements of the EU, USA and Japan, antibiotics provisions of the USA, EU and Japan, food safety provisions of the USA, smuggling imports, circumvention of anti-dumping and FTA.”

Based on what the CEO said, “the pressure on the domestic market for both products began to be felt by beginning to increase imports of shrimp from producer countries to Indonesia caused by the actions of anti-dumping by the USA to countries such producers, in addition to tuna products to be the enactment by EC Regulation on Tracebility for Bluefin, Sword fish and Big eye Tuna imposed by the EC need serious attention.” Conversely various export opportunities are still many who have not been optimally as unbalanced trade and tariff preferences.

PT. X company, which is located in Indonesia. The company is specially running in selling marine product especially fresh fish. They product have been sold worlwide to Japan, US, Europe, and China. This company was build as a

family business that was a branches from Pontianak, West Kalimantan. Beside fresh fish this company also offer canned fish, fish fillet, shrimp, crab, squid, and lobster. The most thing that people recently buy is the Yellowfin Tuna fillet. Most of the grade A tuna was being export and the other grade were being sold locally. The company has a simple organizational structure.



**Figure 1**  
**PT. X organizational structure**  
**Source: Writer's personal data**

Above is the simple organizational structure may impact some of the company work performance. Due to the simple structure there are some problem in managing the group of the employee in each segment of working. For example, the fillet zone, processing zone have hundred of employee but only being handled by only 1 person as their PIC (GM). This may impact to the efficiency of the time management which every employee in each zone must wait the PIC to solved the problem. 1 PIC to handle hundred employee is not an easy and efficient way. So, to hired more than 1 PIC to handle each zone is important, this can be taken by open recruitment or just take a employee that the company think he/she is the best employee. The employee also need to be able to communicate well in the group of employee and can handle problem that need to be solved fast.

PT. X has a lot of professional employees and their family member also have a great experience in the fishing company and marine product. This company focused on selling fresh product and priority their customer satisfaction. But, they also didn't forget to make sure their employee are happy with their job in PT. X. This company also have a vision, their vision is “ To become the best and the largest company in the fishing company and marine product selling”. The CEO of the company committed to gave a best product to be bought by customer and ensure them to get everything they want without having to wait for a long time. The CEO also committed to make sure every product that the company sell is chemical free and safe to be eaten.

PT. X product's flow are start from the ship crew. This is when the ship crew bring the raw fish and then being transfer to the processing sector to be sort the quality of the fish. Tuna fish with low quality will be transfer to the cfilleting zone fish to be process as canned fish and the A quality fish is store at the cold storage to be export to Japan, China, USA, etc



**Figure 2**  
**PT. X harbour situation**  
**Source: Writer's personal data**

The picture above illustrate the situation where the fish that being caught are being sort before it goes to the fillet zone or cold storage. The mission of the company is to be the answer for people for the fresh marine product and the most

complete range of marine product with the most latest technologies in order to give fresh product and faces the high competition in current gobalization era.

This technologies that are being always being developed and take control are the ship engine and also the cold storage. The ship engine should be always being developed and always used the latest product. The engine is some of the company technologies that usually being developed. But there are new product that needed to be focused. This technologies is the cold storage. The company has 5 cold storage in total that placed in Bali. 3 was located in harbour and the 1 located 8km from the harbour and the last 1 was 10km from harbour.

Based on the information from Mr. X (GM), all of the cold storage could accommodate 5000 ton except 2 cold storage in harbour that only could accommodate 800 ton and each cold storage cost 35 billion rupiah for the large cold storage and 8 billion for the small one. The cold storage always standby and the electricity were never being shut down. This is to keep the temperature stay under 0 degrees. This is also to keep the cold storage away from viruses and harm microorganism. The cold storge sometime was being fully loaded with fishes and the company need to leased or rent cold storage from othe company. This made the company want to build another cold storage rather than rent from othe company. This is because the CEO though that by build a new cold storage it will make the company profit. The peak season in catching fish actually the entire of the year because the company catch variant of fish, squid, and lobster. But the situation is that tahe company not always catch enough fish to fully load all of the company cold storage. This cold storage may noy fill fully because of there are a lot of ship that catch fish but the group of fish is not as many as the ship that throw their net to catch the fish. Sot this is the reason of the company sometime experience that their cold storage is not fully load. When the cold storage is not fully load especially the cold storage that located not in the harbour, it will cost more money in the distribution. The company also planning in adding 5 more cold storage either it was ret or buy. This 5 cold storage will have 3 cold storage with 5000 tons capacity and 2 with 800 ton capacity.

As the organizational structure that are being taken from the family member the company has no significant change in the way they sell product or the organizational structure. All off the structure and the working style were being done by the company since the company were being build. The only thing that are being change frequently is the building and the technologies that they are being use. This company take a very serious on the technological development which are keep developing to be more advance. The company believe with the more advance technologies the sales will more increase and being able to competing with othe foreign company.

Other issues at PT. X's CEO and the General Managers are siblings. The company were being focused on selling fresh yellofin tuna which are the most expensive fish that the world have. The company also gave a variant range of fish and also a nother marine product such as crab, lobster, squid, and octopus. The company ever sale shark fin in their first year they open the business and end selling it in 2010 because of the regultion of every country in the world to stop selling the shark fin. Because of that regulation the company respect it and stop the catching of the shark.

The company start to make their product more and in 2014 start to make canned fish. The result is positive many company invest in the company to have the fish cannes. PT. X started to introduce the fish canned locally and know were tried to be sold in othe country. The fished canned was unique because the variant of their flavor. Below the sample of the canned fish.



**Figure 3**  
**PT. X canned fish sample**  
**Source: Writer's personal data**

Picture above is some of the canned fish sample that is going to be sold to the market. This canned fish is being made to increase the sell of the company, which the company sell low grade fish with only half of it price which in a good grade the tuna was being sold 55.000/ kg. The company choose to made canned fishes that they can sold to the market for 20.000 rupiah and only using 180 gram of tuna meat. The flavor also being developed and the company want to give a various flavor that can be choose by the consumer.

## 1.2 Research Problem

Based on the *Background of the Study* that have been told above, we can arrange 4 problems, which are;

1. How to make a better organizational structure?
2. Is buying a new cold storage is more profitable than rent a cold storage?
3. How to improve the sales of canned fish?
4. How to create a proper financial reporting system to apply accounting system? (balance sheet, income statement)

## 1.3 Research Objective

Based on the *Research Problem*, the objective that we can take a look closer are as below;

1. To know the best organizational structure that will improve the organizational work performance.

2. To know which one is more profitable from buying the new cold storage or rent it.
3. To know how to improve the canned fish to be sell in the market.
4. To know how to create a proper financial report.

## **1.4 Benefit of Research**

### **1.4.1 The Theoretical Benefit**

Based on theoretical, this research is expected to be useful and enriching knowledge in business management, especially in developing the family business. Which is reviewed in this study are some ways and calculations are more profitable for the company. Furthermore, this research is expected to be a reference for further research.

### **1.4.2 Practical Benefits**

1. For writer

This research useful for writers to broaden knowledge of the author and can apply the theories I've had to get lectures in subjects related to business management, business and family business Entrepreneur.

2. For PT. X company

This research will be very useful for companies to improve the performance of the work. From this research, the company also can get specific data in profits in the can by the company if improve the organizational structure and buying or renting cold storage. The change in the way of the company input every income and outcome to make the company easier in tracking their money. Also the company can develop new organizational structure where it can improve the company work performance.

## **1.5 Writing System**

Research outline explains the systematic writing of this study. The outline is divided into five chapters as follows:

## Chapter 1

This chapter sets up the research problem for the reader. It also provides the background information defining the issues and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

## Chapter 2

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

## Chapter 3

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

## Chapter 4

This chapter organizes a logical presentation of the findings that address the research questions, and focus on how these key findings relate back to the theory and prior researchers presented at the beginning of the study.

## Chapter 5

This chapter outlines the implications, conclusions, and recommendations supposed to advance the study of the research topic by its theoretical, methodological, or substantive contribution that may be necessary to overcome the limitations of existing empirical facts.