

CHAPTER 1

INTRODUCTION

1.1 RESEARCH BACKGROUND

In the highly competitive business world of today and the emerging rise of Industry 4.0, effective human resource management is very critical. In order to survive or stay ahead of their competitors, many organizations now have directed their attention, more and more, to the importance of human resource management. Employee becomes an important issue and challenge that every company have to face in globalization era.

A key feature of the growing economic power of Indonesia lays on the growth of ecommerce. For Indonesia, Industry 4.0 is not just an opportunity to grow but also one of the biggest challenges to face. Yet the biggest challenges come from its human resources. In 2018, based on iNews.id (Isna Rifka, 2018), the association of ecommerce in Indonesia, also known as idEA, stated that the employee turnover rate in the ecommerce industry is very high. The average of employee turnover in the ecommerce industry reaches to 19.22 percent each year while the average in business sectors are around 10 percent each year. This shows that if an ecommerce organization has 100 workers in a year, there will be 19 workers that will leave the organization in the same year. According to idEA, the human resource in the ecommerce industry is still very low. Therefore, this causes many ecommerce companies like Shopee, Tokopedia, Lazada and

etc to compete in recruiting new workers each year. Data from idEA shows that the growth in recruiting new workers each year reaches to 76.8 percent. However, with a high growth of new workers, the employee turnover rate is also very high even though many of these organizations have offered the employees with high amount of salaries and different kind of facilities in order to retain them.

Interestingly, even though the organization has trained and give a high salary to the employees, they can still be attracted towards other ecommerce companies that could offer them a higher salary. The high employee turnover rate has caused the increase in employee replacement cost (Lucas, 2012). The impact caused by employee turnover can be financial, like training cost, recruitment and etc, or non financial such as low motivation for other employee or bad company image and this can reduce the organization's performances (Boushey & Glynn, 2012). Companies' performance can rise if they were able to reduce the cost from employee replacement, motivating employee and also increasing innovation in company (Lee, 2017). Companies should be able to maintain turnover rate, therefore it would reduce the costs and preserve productivity in companies and also retain the talented employees. In the present, highly competitive and technologically advanced society, it is advantageous to ensure overhead costs are kept as low as possible. One important way to accomplish this feat is to retain those employees that have already been trained to be skillful employees and be proficient in their job

responsibilities. The cost of replacing an employee in today's market is roughly one-half of that person's annual salary. This figure does not include the loss of intellectual capital that results from each departure. We know to replace old employees with new ones costs time, money and experience. But there is also a possibility that the loss of a longtime employee will bring about the loss of loyal customers. It can be pointed out by gap theory of (Dessler, 2016) where the success of human resource in improving performance is affected by competence, motivation and discipline supporting means.

With the high employee turnover rate, many organizations began adopting complicated Human Resources Management strategies. One of the key issues in human resource management that can help increase productivity is employee satisfaction. Employee satisfaction and retention have always been important issues. A high level of employee turnover can negatively affect the company as a whole. Satisfied employees show greater loyalty to their organization. Employee productivity is not just a virtue; it is the key to profitable growth. Productivity in the workplace is considered to be the fuel that drives the financial success of every company.

Organizational culture is a system of shared meaning held by members that distinguishes the organization from other organizations. (Robbins, 2018) Organizational culture also represents a perception in which the organization's members hold in common. It also shows how employee perceive the characteristics of an organization. According to

(Schein, 2017), the existence of culture in organization has three level, i/e, artifacts, espoused value, and underlying assumptions. Organizational culture can also be view as harmony of individual values and organizational values, which has a significant effect on job satisfaction and employee performance.

From the linkage of the variables mentioned above, we can see how organizational culture has a relationship on satisfaction at work, productivity at work and quality of work. These might then result in the profitability, growth and organizational innovation. Which is why, this research is intended to find out if the satisfaction at work, productivity at work and quality of work are the consequences of organizational culture and how these relationships could help the organization to perform better.

1.2 RESEARCH PROBLEM

Based on the explanation and problem that are happening now, we can formulate that the questions for this research is as follows:

1. Does organizational culture affects satisfaction, productivity at work and the quality of work?
2. Do satisfaction and productivity at work effects profitability and growth?
3. Does quality of works affect organizational innovation?

1.3 RESEARCH AIM AND OBJECTIVES

Below are lists of aims and objectives for this research:

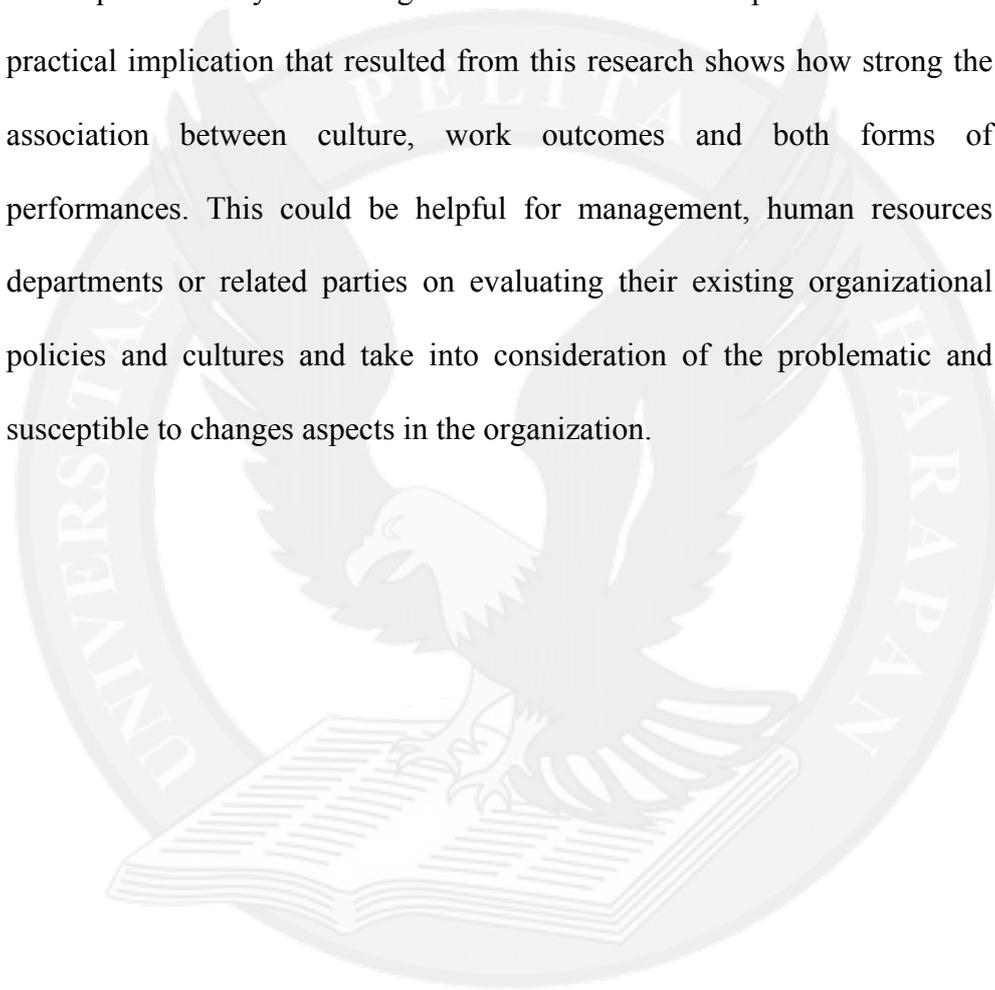
1. To determine whether organizational culture is positively correlated with satisfaction at work.
2. To determine whether organizational culture is positively correlated with productivity at work.
3. To determine whether organizational culture is positively correlated with the quality of work.
4. To determine whether satisfaction is positively correlated with firm financial performance.
5. To determine whether productivity has a positive relationship with financial performance.
6. To determine whether quality of work is positively correlated with organizational innovation.

1.4 RESEARCH LIMITATION

In this research, the questionnaires are given to employee with a minimum of one year experience in two largest ecommerce companies in Indonesia. These two large companies were chosen for several reasons relating to organizational culture development and sophistication. The total number of respondents are 230. The questionnaires were only distributed in Jakarta.

1.5 BENEFITS OF THE RESEARCH

The results of this study will be useful to the section dealing with human resource management challenges. Perhaps the results of this study could lead to a greater understanding of organization culture by presenting an empirical analysis of organizational culture and performance. The practical implication that resulted from this research shows how strong the association between culture, work outcomes and both forms of performances. This could be helpful for management, human resources departments or related parties on evaluating their existing organizational policies and cultures and take into consideration of the problematic and susceptible to changes aspects in the organization.



1.6 CHAPTER OUTLINE

This study will be divided into five chapters.

Chapter 1: Introduction

This chapter provides introduction consisting of background of the study, research problem, objectives and aim.

Chapter 2: Literature Review

This chapter provides a review of literature, consisting of a review of theories and explanation on the theories towards each variable in this research. Furthermore, the result from the previous research studies that are related to this study will be explained.

Chapter 3: Research Methodology

The research methodology will discuss the methods that will be used in the research, starting from the sample, sampling techniques and measurement.

Chapter 4: Results and Discussions

This chapter outlines the discussion of results from the sample that has been distributed. It also contains the discussion of implications of the research that has just been done.

Chapter 5: Conclusion and Suggestions for Future Studies

The fifth chapter includes the research conclusion, recommendations, research limitations and suggested future research areas. An Indonesian and English version of the questionnaires is provided in the appendix.