

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

Over the past few years, human resource management has become a significant aspect in determining employees' performance. Since globalization started, business world began to change; throughout customer and investor demands, the increment of competitions and competitors, rapid changes of technology. Therefore, since human resource is considered as one of the major keys in determining the future of the organizations, human resource practices should have gone through a lot of changes as the activities and aspects related to human resource started to change into more complex and wider, and thus, it has generated into more diverse and intense practices.

Human Resource performance determines the wellness and success of an organization. The performance is basically gauged by their abilities and capabilities on how well they could do the given tasks. For that reason, in order to strive and succeed in this ever-changing business environment, organizations should implement and enhance their training and development practices.

According to Tahir et al. (2014), training and development is defined as the planned learning experiences which teach and develop employees on performing current and future jobs. Training and development practice benefits both organization and individuals, as training and development leads to improve profitability while cultivating more positive attitudes toward profit orientation, as well as, improves job knowledge and help to identify the goals of the organization.

Tahir's definition of performance is the achievement of something or mere working effectiveness. Therefore, employees' performance can be

referred as the result of the implementation of the capability and ability of the employees to efficiently utilize the available resources to achieve accomplishments consistent with the set objectives of the company. The efficiency of utilizing the available resources greatly depends on the development of the employees. Therefore, training and development is necessary.

In the era of globalization many companies are required to obtain and maximize better employee's performance. Because in the era of globalization, companies in Indonesia and around the world continue to experience immensely competitive competition, therefore companies are entailed in the improvement of their HR (Human Resources) in order to face the intense competition. The problem of Human Resources is one of the predominant concerns for companies to be able to survive. Again, companies are required to obtain, develop and maintain quality human resources.

Survival and growth of the company is not only determined by the success in managing finances, but also the human resources owned by the company. The intended management of human resources is that companies must be able to unite perceptions or perspectives of employees and company leaders in order to achieve company goals and improve company performance. One common way for companies to unite perceptions is through implementing job training and development practices.

Training and development are renowned in the business world and the world of work; in companies, organizations, institutions, or even in health agencies. It can be assumed that training and development is an essential element to maximize the work performance of the workforce in performing their present jobs and the jobs that are held or will be held in the future.

Human resource, or widely known as labor, is an important resource which cannot be separated from an organization, both institutions and companies, as they are the key in managing the business. Management

needs to know how to operate the company to show profits, how their performance is and how to manage the labor they have; performance declines or whether the employee's performance is in accordance with the provisions and expectations of the company. If a decline occurs then management needs a strategy to improve the performance of its employees.

Everyone has their own abilities and capabilities level, but the abilities and capabilities that they owned may not necessarily in accordance with the specifications sought and/or required by the company (current and/or future job description), so it is important for companies to carry out training and development practices so that employees know what should be done and how to do it.

According to Hariandja, as cited in Simamora (2017), training and development can be defined as a well-planned strategy to enhance employees' knowledge, skills, and abilities. Both have the same concept, to enrich employees' knowledge, skills, and abilities. The difference can be seen from the purpose. While training is for employees to develop skills and abilities for their current work so that what is known and mastered can help employees to understand what should be done and why it should be done. Development is more related to prospective jobs, which is done with integrated approach to other activities in changing their work behaviors for the future.

PT Ahlindo Perkasa Alam, Medan, which was founded in 1984, mainly engages in manufacturing finger joint board and furniture. Two years after the establishment, it extended its business activities to manufacturing, selling, and exporting wooden pallet and furniture to Japan, Korea, and China. At the present time, PT Ahlindo Perkasa Alam, Medan, which is directed by Eddy Haryono, under the main director Hermanto Budoyo, has employed over 100 employees in running the business. PT Ahlindo Perkasa Alam, Medan, has been implementing training and development practices for 5 (five) years. However, for some years now,

especially in 2018, training and development practices held were so messy and can be considered as ineffective.

**Table 1.1 Training and Development Data of Employees in PT Ahlindo Perkasa Alam, Medan, Period 2018**

Topic	Frequency	Eligible Participants	Not Present
Selling	1	110	11
Personality	1	120	8
Cross Functional Training	1	120	16
Coaching	1	120	10
Teamwork	1	120	5

Source: PT Ahlindo Perkasa Alam, Medan (2019)

**Table 1.2 T&D Participation Data of Employees in PT Ahlindo Perkasa Alam, Medan, Period 2018**

T&D	Description (Participants)	Description (non-present participants)
Selling	L: Shortage of time, no new knowledge N: Was quite okay.	FP: The topic didn't really match my work, uninterested to join.
Personality	FP: The training was quite great, but the time given is so short.	N: Time conflict.
Cross Functional Training	L: The activities were quite chaotic and not well-planned. One example is the instructor didn't master the topic.	FP: Time conflict.
Coaching	N: It was good.	FP: Time conflict L: the topic was not interesting.
Teamwork	FP: The training was carried out messily; the instructor wasn't that great at carrying out the training.	N: Time conflict.

Note: The data above was gathered from an interview, with FP: Fui Phin; L: Loyanti; N: Ngadimin

Source: Prepared by the writer (2019)

**Table 1.3 Employees' Performance in PT Ahlindo Perkasa Alam, Medan**

Year	Pallet 'B' Returned (in a year)	Description		Overall Sales of Pallet Type 'B' (in a year)		
				In IDR	Currency (SGD)	Change (in IDR)
2014	23	Bad & Damaged	Without training and development	2 billion	Rp 9,354	-
2016	5	2: bad condition 3: damaged	8 times T&D in a year	2.4 billion	Rp 9,493	-
2017	6	bad condition	8 times T&D in a year	2.4 billion	Rp 10,000	-
2018	16	5: damaged 11: bad condition	5 times T&D in a year	2.1 billion	Rp 10,619	-300 million

Source: PT Ahlindo Perkasa Alam, Medan (2019)

From the tables above, 1.1 and 1.2, it can be seen that there is still a lack of training and development practices provided by the company to employees in a year. The reasons are as follow: 1. The training and development activities were only carried out as much as 5 times in 2018, which can be considered as insufficient amount, moreover the scope of topic was so small; 2. A few of employees were not really interested in joining the practices and some who joined gave a bad review. According to Fui Phin (finance division), the activities could be considered as messily carried out because employees thought that the given time for the training and development was relatively short, topics were not interesting enough; for Ngadimin (production division), some of the activities were quite fun, while some others were not interesting enough; as for Loyanti (export division), some of the activities were chaotic, problems lie on the instructor, and timing were bad.

As for the table 1.3, we can conclude that of all years when the implementation of training and development practices are done, the employees' performance in PT Ahlindo Perkasa Alam, Medan's in 2018,

can be categorized as the worst. Indeed, with the implementation of training and development practices, sales of pallet B did increase quite a lot despite its popularity, however, throughout the years, the practices have become less and less effective, which resulted in bad performance.

To sum it up, training and development practices hold significant role in determining employees' performance, in which instructors, topic, timing and the frequency of the practices become the consideration.

Since training and development is said to benefit both individual and organization, especially for this case, the writer was interested in doing this topic, **“The Impact of Training and Development Practices on Employees' Performance in PT Ahlindo Perkasa Alam, Medan.”**

## **1.2 PROBLEM LIMITATION**

Due to the limitation of time and budget, the research is limited to the elements of human resource management, specifically in the scope of training and development as the independent variable with indicators, such as (Kandou, 2013): suitability of training material; training methods used; attitudes and skills of instructors in delivering material; the length of time for training; and supporting training program facilities. Meanwhile, the dependant variable is employees' performance with indicators as such (Edison et al., 2017, p. 192-193), quality, quantity, use of time at work, and cooperation. This research was carried out in PT Ahlindo Perkasa Alam, Medan.

## **1.3 PROBLEM FORMULATION**

The problem that is being discussed by the writer is: “Does training and development practices have an impact on employees' performance in PT Ahlindo Perkasa Alam, Medan?”

## **1.4 RESEARCH OBJECTIVE**

This research is done with the objective: “To assess whether there is an impact of training and development practices on employees’ performance in PT Ahlindo Perkasa Alam, Medan.”

## **1.5 BENEFIT OF THE RESEARCH**

The benefits from conducting this research are as follows:

### **a. Theoretical Benefit**

The result of this research would contribute knowledge in academic area, especially on training & development and employees’ performance.

### **b. Practical Benefit**

For the company, it might be able to learn the importance of having effective training and development practices towards employees' performance and thus, effective training and development programs could be implemented in the organization. Furthermore, the findings of the study may generate the action plan that might help the firm to increase the performance in order to survive at the global basis.

For the writer, the findings of this study will expand the knowledge regarding effective training and development practices required for improving the performance.

For other researcher, the result of this research can be used as a reference point for further research on the same field. They can also use the findings as a secondary source of information.

## 1.6 SYSTEMS OF WRITING

The systems of writing in this final paper are:

### Chapter I Introduction

This chapter comprises the background of the study, limitation of research, problem formulation, research objective, benefits of research and systems of writing.

### Chapter II Literature Review and Hypothesis Development

This chapter includes the theoretical background, previous researches, hypothesis development, research model, and the framework of thinking of this final paper.

### Chapter III Research Methodology

This chapter comprises the research design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.

### Chapter IV Data Analysis and Discussion

This chapter includes the general view of the “research object”, data analysis, descriptive statistics, results of data quality testing and hypothesis testing, and discussions.

### Chapter V Conclusion

The last part of this final paper includes conclusions, implications, and recommendations.