

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In this globalization era and due to the increasing competitiveness level, many things had been different from economic, cultural and even political. A company is facing economic competition in the market, environmental and social pressures (Wu and Pagell, 2011 in Chen, 2015). From a business perspective however we can see how companies are growing rapidly and some are slowly but surely collapsing.

There are a lot of factors that may affect company sustainability and company viability. But the success of a company can also be determined from the employee performance. Employee performance is the respondent's assessment of perceptions about the ability of employees while at work to execute their duties (Febiningtyas and Ekaningtyas, 2014). Employee performance is made by the employee of the company by fulfilling their duties and responsibilities in the right way which is to follow the rules of the company. For a company to achieve its goal and objective, an employee's talent, energy and creativity is needed. That is why every company needs to carefully manage its employee. Because one of the company's resources that has an important role in achieving its objectives is human resources (Bangun, 2014)

Today many manufacturing companies are equipping their machines in the factory and numbers of motor-powered vehicles are increasing. For a machine and a motor-powered vehicle to run, it needs a gasoline and lubricants. That is why PT. Riodi Jaya which is the subsidiary of PT. Pola Raya Jaya Sakti is able sustained and keep on growing ever since. PT. Pola Raya Jaya Sakti has been established since 1980. PT. Pola Raya Jaya Sakti is a company engaged in selling

PERTAMINA oil lubricants product in Sumatra island Indonesia. In 2005, PT. Pola Raya Jaya Sakti's owner expands his business by creating PT. Riodi Jaya. The new company is owned and controlled by 2 of his sons which are Mr.Sunario and Mr.Sumahdi. PT. Riodi Jaya is a company engaged in selling Shell oil lubricants product across Indonesia. The main branch or office of PT.Riodi Jaya is in Medan.

Starting from 2005 to 2015, PT.Riodi Jaya has already expanded its business by increasing its distribution network. But in 2015 to 2018, PT.Riodi Jaya has expanded its business again still by increasing its distribution network at a larger scale. Some of the distribution network locations are Aceh, South Sumatra, Bangka Belitung, Bengkulu, Riau, Jambi and West Kalimantan. The yearly expansion of PT.Riodi Jaya distribution network data can be seen as follows:

Table 1.1 The expand rate of PT.Riodi Jaya

Year	Network Distribution Location
2015	3
2016	6
2017	10
2018	12

Source: PT.Riodi Jaya 2019 data processed

In 2015 to 2018 just when PT.Riodi Jaya is increasing the distribution network rapidly, and since Mr.Sunario and Mr.Sumahdi had notice that their average sales has been decreasing and that is the indication of low employee performance in the company.

The performance of PT.Riodi Jaya employee can be seen from the data that contains PT.Riodi Jaya sales record from year 2015 to 2018. The sales data include the total sales and the average sales of PT.Riodi Jaya.

Table 1.2 The sales of PT.Riodi Jaya 2015 – 2018

Year	Distribution network location	Total Sales (liters)	Average Sales per Distribution Network Location
2015	3	1.500.000	500.000
2016	6	2.580.000	430.000
2017	10	4.050.000	405.000
2018	12	4.650.000	387.500

Source: PT.Riodi Jaya 2019 data processed

Based on the data above, it shows that the total sales are increasing from year to year. Although the total sales are increasing, but it is because the distribution network location itself is increasing as it can be seen from the average sales per distribution network location. The average sale per distribution network location is decreasing from year 2015 to 2018.

Those data about the total sales above includes the sales at every distribution network location of PT.Riodi Jaya and some of them are located at Aceh, South Sumatra, Bangka Belitung, Bengkulu, Riau, Jambi and West Kalimantan. But in this research, the writer will analyze the data on PT.Riodi Jaya Medan city branch due to the research that is only about the effect of work discipline towards employee performance in PT.Riodi Jaya Medan city branch.

Table 1.3 The sales of PT.Riodi Jaya Medan city branch 2015 – 2018

Year	Total of successful transaction per invoice	Total Sales (liters)
2015	98	450.000
2016	92	387.000
2017	86	303.750
2018	84	232.500

Source: PT.Riodi Jaya Medan city branch 2019 data processed

From the data above both total of successful transaction and total sales are decreasing form year 2015 – 2018. This is because PT.Riodi Jaya Medan city branch employee does not have a good discipline at working which leads to the sales keep on decreasing from year to year.

The sales of the company which is the benchmark for employee performance is directly affected from employee discipline.

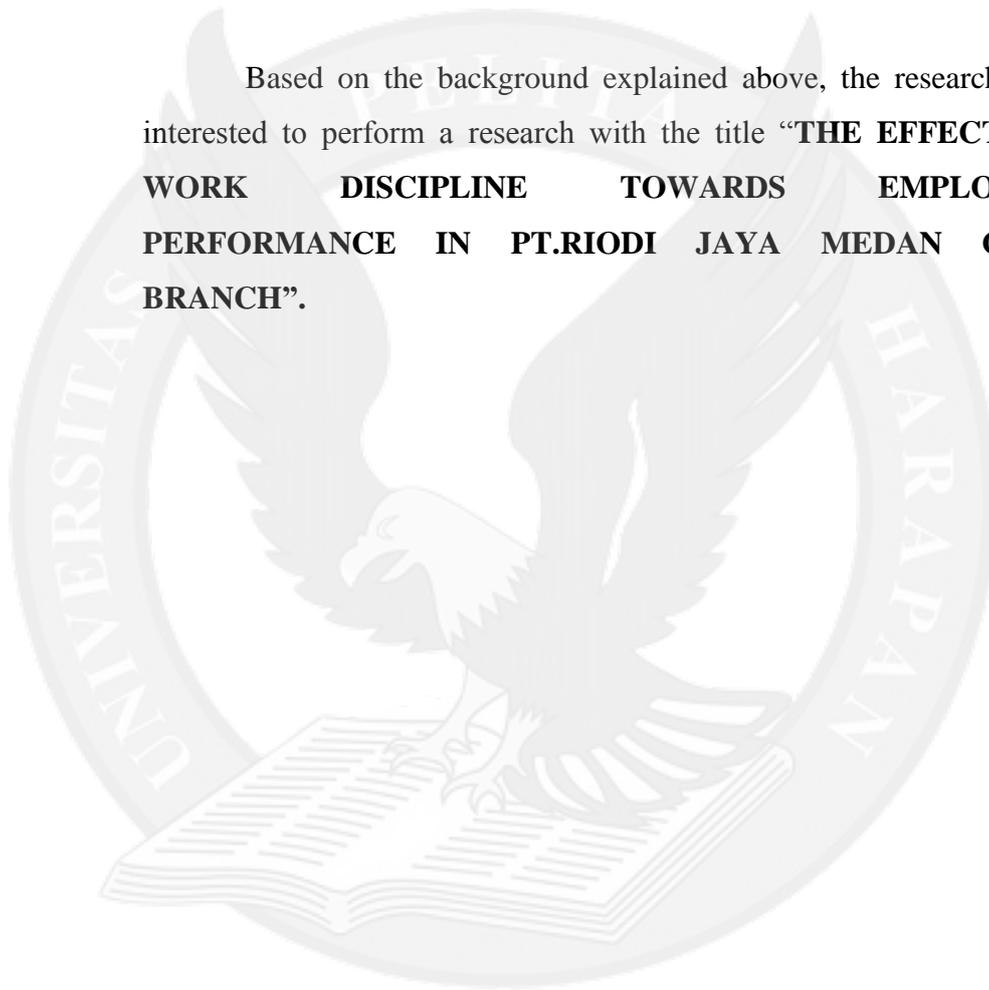
To increase employee performance, the employee needs to be discipline. The previous researches by (Tumilaar,2018 and Sari & Gundo 2017) also come in conclusion that employee disciplines significantly affect employee performance. Hasibuan, (2004:20) in Hardiansyah(2018) also stated that disciplinary greatly influence employee performance.

Employee performance is the respondent's assessment of perceptions about the ability of employees while at work to execute their duties. Increasing the work performance of employee is very important for an organization or institution to survive. Employee performance is influenced by several factors which are both from the workers themselves and the environment in a company. One of the example factors from workers themselves is to have a discipline because in order to achieve a good employee performance, employees should have a good discipline.

Work discipline is a process used to deal with performance problems and this process involves managers in identifying problems to employees, communicating performance (Bacal, 2002 in Sari and Gundo, 2018).Discipline can also be a tool for manager to increase employee's willingness to obey all company regulations and norms. Discipline is one of the requirements for employees to meet the company's standards of performance and behavior. Discipline is the attitude, behavior and deeds in accordance with company regulations both written and unwritten rules include absenteeism. The higher level

of employees work discipline, the higher the employee's work performance. It is because it can create a conducive working atmosphere which can be a support for other employees to achieve both their own personal working goals and a company's goal. Without a good employee's work discipline, company will have a difficulty in achieving its optimal results.

Based on the background explained above, the researcher is interested to perform a research with the title **“THE EFFECT OF WORK DISCIPLINE TOWARDS EMPLOYEE PERFORMANCE IN PT.RIODI JAYA MEDAN CITY BRANCH”**.



1.2 PROBLEM LIMITATION

Due to the time and resources, the scope of this research will only cover academic literatures and theoretical premises. The limitation of the research are as follows:

1. The first limitation is the variable of the research. There are a lot factors that can affect the variable Y which in this research is employee performance in PT.Riodi Jaya Medan city branch other than work discipline for example motivation and satisfaction. But in this research, researcher only examines the variable of work discipline in measuring employee performance in PT. Riodi Jaya Medan city branch.
2. The second limitation is the unit analysis of research which is PT.Riodi Jaya Medan city branch because PT.Riodi Jaya has a large number of branch. The research is conducted only in PT.Riodi Jaya Medan city branch and employee data of PT.Riodi Jaya Medan city branch can be different after this research is done and in the different branch of PT.Riodi Jaya. The data difference can be cause by new set of rules that can be applied after the interview and because every branch has a different manager controlling the branch.
3. The third limitation is the research methodology that is used in the research. This research is a descriptive and associative causal quantitative research.

1.3 PROBLEM FORMULATION

The following are the research questions in this research:

- a How is the condition of employee work discipline in PT.Riodi Jaya Medan city branch?
- b How is the condition of employee performance in PT.Riodi Jaya Medan city branch?
- c Does employee work discipline affect employee performance in PT.Riodi Jaya Medan city branch?

1.4 OBJECTIVE OF THE RESEARCH

The following are the research objectives in this research:

- a. To understand the condition of employee work discipline in PT.Riodi Jaya Medan city branch.
- b. To understand the condition of employee performance in PT.Riodi Jaya Medan city branch.
- c. To analyze and understand the effect of employee work discipline on employee performance in PT.Riodi Jaya Medan city branch.

1.5 BENEFIT OF THE RESEARCH

1.5.1 THEORETICAL BENEFIT

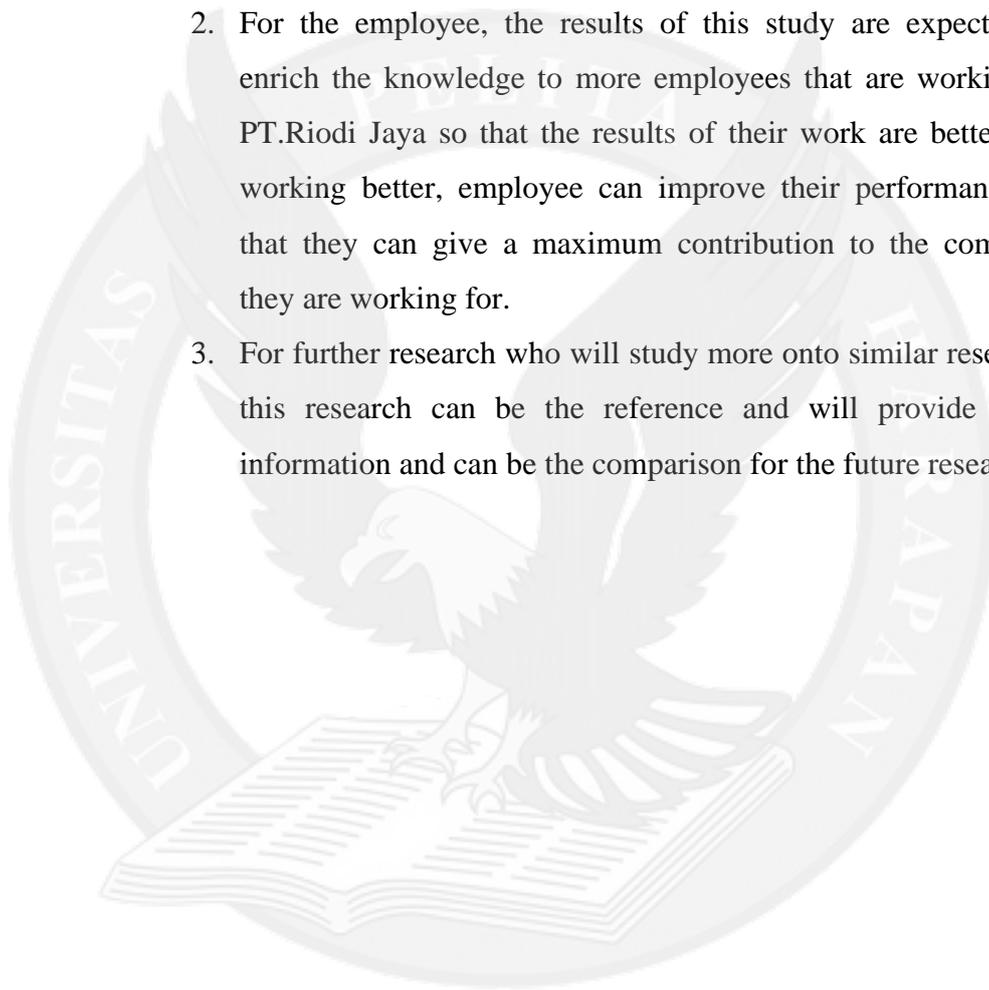
In regards with academic context, this research is expected to provide the following theoretical benefits:

1. For the writer, this research can also increase and enrich his theoretical knowledge, especially in employee performance.
2. For future researcher, this research is expected to enrich existing literature and also can be used in the future as a base in developing research model on the influence of work discipline towards more employee performance.

1.5.2 PRACTICAL BENEFIT

In regards with practical context, this research is expected to provide the following theoretical benefits:

1. For PT.Riodi Jaya Medan city branch, the results of this research can be used as an input to be used as materials in preparing policies in order to improve employee performance.
2. For the employee, the results of this study are expected to enrich the knowledge to more employees that are working in PT.Riodi Jaya so that the results of their work are better. By working better, employee can improve their performance so that they can give a maximum contribution to the company they are working for.
3. For further research who will study more onto similar research, this research can be the reference and will provide more information and can be the comparison for the future research.



1.6 SYSTEM OF WRITING

CHAPTER I : INTRODUCTION

This chapter includes background of study, Limitation of Research, Research Objectives, Research Questions, and Benefits of Research.

CHAPTER II : LITERATURE REVIEW

This chapter includes Theoretical Background, Previous Research, Hypothesis Development, Research Model and Framework of Thinking.

CHAPTER III : RESEARCH METHODOLOGY

This chapter includes Research Design, Population and Sample, Data Collection Method, Operational Variable and Variable Measurement, and Data Analysis Method.

CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter provides introductory view of research object, including the history of establishment, vision and mission of the company, the achievement achieved by PT.Riodi Jaya and operational activities. Following the general view, the results of data analysis will be discussed thoroughly along with the main discussion to answer the aforementioned problem formulation.

CHAPTER V : CONCLUSION

This chapter contains conclusion as the result of the whole study that has been explained as well as implication and recommendation for future researcher and for the manager or leader in PT.Riodi Jaya Medan City Branch.