CHAPTER I
INTRODUCTION

1.1   BACKGROUND OF STUDY

Organization in general can be defined as conscious human activities that link and coordinate all the production agents in order to achieve the most optimum results desired. Therefore, organization of an enterprise can be recalled as no other thing than the organization of work correspondingly to the development of the production forces and social relationship, on an account of the developed division of labor and of the general circumstances of a more purposeful course in the process of work (Ivanko, 2013).

Performance is a potential that must be possessed by every employee to carry out every task and responsibility given by the organization to employees. With good performance, each employee can solve all organizational burdens effectively and efficiently so that problems that occur in the organization can be resolved properly. Performance becomes the real foundation in an organization because if there is no performance, the organizational goals cannot be achieved. Performance needs to be used as an evaluation material for leaders to know the high and low performance that exists in the organization.

Compensation and benefits that mentioned before also includes incentive or benefits that are usually given to employees for performing organizational work. It is a certain method to determine how much employees should be paid for performing certain jobs. This kind of things certainly provides an important incentive for motivating the employees to higher level of job performance in the organization. The incentive that is received by the employees might be in the term of cash (monetary/ financial incentive) or recognition rewards (non-monetary/ non-financial incentive) (Heathfield, 2018).

According to Hasibuan (2016, p.7): "*Insentif diartikan sebagai bentuk pembayaran langsung yang didasarkan dan dikaitkan langsung dengan kinerja dan gain sharing yang juga dikatikan dengan kinerja dan dapat juga diartikan sebagai pembagian keuntungan bagi karyawan akibat peningkatan produktivitas ataupun akibat dari penghematan biaya.*"

It can be explained that incentive can be described as a method of a direct payment based and related to the performance and gain sharing that is also related to the performance and can be defined as a mean of profit sharing for employees as the result of the increase of productivity or cost reduction.

Most employees tend to work only when they are instructed or just as abided in accordance to their standard. Employees feel that they have done enough as long as they have finished assigned job while there are actually more things left that can be carried out by the employees themselves. Therefore, incentive is expected to motivate employees to work as well as possible. If the amount of incentive received by employees is deemed not equal to the effort given by the employees, they might feel less motivated and thus may affect the productivity of the company which will ultimately put a strain on the income earned by the business.

As explained by Efendy (2015), employees' performance is the result of the Employees' work and the real behavior that is shown just as its role in the organization. The productivity of the work force is influenced by a lot of factors such as education, ability, discipline, motivation, health, income, etc. While, the factor that could enhance the increase of productivity is the equity and fairness of the work payment and incentive. The more contribution ones have submitted, the greater amount of reward must be entrusted to them.

Employees and company have a mutual relationship, employees give their performance to company and company provides compensation as reward for the performance given.

According to Sam (2018), incentive is a mean to motivate those who encourage employees to work with optimal abilities. The research done by Tunwet, et.al (2015) shows that incentive has significant impact on employees' performance. The theory and research above showed that incentive has impact to employees' performance.

PT. Metal Sukses Cemerlang is engaged in the sales and distribution of iron in North Sumatra, Medan. It was established in the year 2005 and located at Jl. P Karimun Kav 3536, Gang Buntu, North Sumatra, Medan. The writer choose this company as research object because the company has run the incentive system, but still cannot boost its employees' performance to maximum performance. So that the writer wants to explore more about problems happened in the company. Based on preliminary reserach, the employees' performance still decrease although the company has given the incentive as additional to salary. Some form of decreased performance are the delay in delivery of goods, the untidiness in preparation of goods in warehouse, delay in financial report, and other decreased performance have become concern of the owner.

The company has already tried to boost employees' performance by giving incentives. The company has paid more attention to the well-being of their labor force. The company gave incentive to motivate its employees so that their performances are on track and can work optimally in accordance with the company's expectation. The incentive amount that is given to the employees is based on the position and performance of the employees themselves. However, PT. Metal Sukses Cemerlang would like to know if the allocation of incentive really helps in increasing the work performance of its employees.

Table 1.1 Incentive Data and Sales Target in year 2018

Month	Sales Target (unit)
January	1,412
February	1,168
March	1,201
April	1,389
May	1,401
June	1,432
July	1,347
August	1,091
September	1,085
October	1,223
November	1,242
December	1,198

Source: PT.Metal Sukses Cemerlang, 2019

The table 1.1 shown above shows the sales target each month achieved by employees in sales department. The table below shows the employee performance of the sales department:

Table 1.2. Employees' Performance of Sales Department

Performance	First Quarter (%)	Second Quarter (%)	Third Quarter (%)	Fourth Quarter (%)
Excellent	43.2	36.4	40.5	32.8
Good	28.6	33.5	23.4	18.3
Average	28.2	30.1	36.1	48.9
Total	100	100	100	100

Source: PT.Metal Sukses Cemerlang, 2019

A research done by Nurani (2015) showed that incentive has significant impact on employees' performance. Every employees work to get paid by company. The company has obligation to give payment to employees for the works done. However, every employees have different work performance. So that, the company needs to boost their performance. Giving incentive to employees can make the employees feel appreciated by company, so that they will try their best in works. Besides, giving incentive can increase employees' satisfaction where more satisfied employee will work harder. Incentive can make employees to try better every month in order to get the incentive again in the next month.

Based on this background study, the writer is interested to conduct the research with the title as follows: "**The Influence of Incentive Towards Employees' Performance at PT. Metal Sukses Cemerlang**".

1.2 PROBLEM LIMITATION

Due to the limitation of time, ability and knowledge, this study will only discuss incentive as the independent variable and Employees' performance as dependent variable at PT. Metal Sukses Cemerlang. This research will use the simple linear regression system.

1.3 PROBLEM FORMULATION

Based on the background study, the problem formulation is:

1. How is the condition of the incentive in PT. Metal Sukses Cemerlang?
2. How is condition of employees' performance in PT. Metal Sukses Cemerlang?
3. Is there any impact of incentive toward employees' performance?

1.4 OBJECTIVE OF THE RESEARCH

The objectives for selecting the title above are as follows:

1. To investigate the condition of incentive in PT.Metal Sukses Cemerlang.
2. To find out how is the employees' performance in PT.Metal Sukses Cemerlang.
3. To find out how incentive impact on employees' performance in PT.Metal Sukses Cemerlang.

1.5 BENEFIT OF THE RESEARCH

This study is expected to provide a broader understanding and insight regarding compensation in the form of incentive, motivation and its relationship between the incentive as a motivation for a better Employees' performance.

1.5.1 THEORETICAL BENEFIT

Based on the objective of the research, the research is expected to generate theoretical benefits as follows:

1. The research is expected to provide additional knowledge and experience for the author in the field of entrepreneurship especially in managing a company's human resources as one of the most valuable assets of a business.

2. The research is expected to be used as reference in the scientific entrepreneur knowledge, especially in the field of management of human resources by comparing the existing theories with the results of the research.

3. The research is expected to be used as theoretical reviews for further research, especially on the same field of discussion.

1.5.2 PRACTICAL BENEFIT

Based on the objective of the research, the research is expected to generate theoretical benefits as follows:

1. For public, this research will improve the knowledge about the relationship between incentive and Employees' performance in a company.

2. For company, this research can be an input to help the company management in making the decision regarding the Employees' incentive.

1.6 SYSTEM OF WRITING

The systematic outline of writing in this paper will be as follows:

CHAPTER I   :   Introduction

The beginning of the chapter includes the background of study that mentions about the reason why this topic is chosen. The problem formulation that concerns

about whether incentive really affects Employees' performance. The last section of Chapter 1 is completed with the information about benefit that derived into theoretical and practical benefit and also the systems of writing that provide overview on introduction, literature review and hypothesis development, research methodology, data analysis and discussion as well as conclusion.

CHAPTER II : **Literature Review and Hypothesis Development**

In this chapter, the writer will discuss about the general theoretical background that are related to the research topic such as entrepreneurship as well as the function and importance of it, incentive and employees performance. The writer will also present a few previous research that are used as the basis of the research, develop hypothesis, makes research model and construct the framework of thinking.

CHAPTER III : **Research Methodology**

In this chapter, the writer describes about research design, population and sample, data collection method, operational variable definition and variable measurement as well as data analysis method.

CHAPTER IV : **Data Analysis and Discussion**

In this chapter, the writer describes the general description of the research object as well as data analysis and discussion of the research result.

CHAPTER V : **Conclusion**

This chapter contains conclusion as the result of the whole study that has been explained as well as implication and recommendation of this research.