

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nowadays, it is harder to maintain an organization than establish a new one. As one of developing companies, it cannot be denied there are so many organizations that compete with each other to survive in any industries. Any organizations could face many problems in their development period, which can arise from internal or external. Organizational Culture plays a big part to the success of an organization. According to Shatles (2018), organizational culture leads to business success. An organization needs to establish a work culture that empowers employees rather than restricts them. For example, an organization encourages employees' opinion and being creative. By implementing such culture system, it will make them feel that they are part of the organization. Therefore, it will improve employee performance as they are more responsible with their work.

Every organization has different culture systems, from their norm and procedure to how they behave in facing issues in the organization. To be able to compete with the other competitors, it is important to have unique and strong culture. These various aspects influence their employee performance in organization. Therefore, new employees need to be encouraged to learn and understand their organization's culture. So, it will be convenient for them to adjust themselves with organization. However, it will be better if the company can find the common personality culture from their employees' characteristics. In order to achieve best outcome, it needs cooperation or harmonization from each party. Therefore, there is a possibility that employees

could maintain and strengthen their culture, which is one of the reasons an organization could survive until now. According to Waid (2017), performance and profit rise at an organization with strong culture. It will have three times more profit per employee and four times faster revenue growth.

On these past few years, Palm Oil Mill has become one of the industries that contributes to Indonesia's economy. It is the largest contributor to gross domestic product (GDP) and becomes the strength and support of national economy. There are a lot of organizations engaging on this industry, such as Manufacturing or Supply of Palm Oil Mill Machineries. One of them is PT. Multitec Global Engineering. This organization was established in 1980 and founded by Mr. Sugianto. Now, it is operated by the second generation. PT. Multitec Global Engineering is general industrial supplier of machineries & spare parts of palm oil mill. It supplies the machineries & spare parts produced by Malaysia. PT. Multitec Global Engineering is the sole agent of these products and services for the needs of factories, especially palm oil processing plants. The products they provide include empty bunch presses, empty bunch shredder and other machines produced by **MVance & MVPalm Engineering**, boiler from **EVOboilers**, along with welding wire products under the brand **Millenium** and **Kryptonium**, **MGE Lubricants** specialized for grease products, sprocket, connecting link, **Galaxy epp** for bushing, **New Galaxy Separator** for vibrating screen products, UK Chain, Kaido roller chain and pumps from **MIS (Machinery & Industrial Supplies)** for all factory needs. These companies are their suppliers and have been supporting them with technical supports to ensure that they have provided the right solution for their customers' needs and wants. At PT. Multitec Global Engineering, their organizational culture has big effect on their employee performance.

In every company, each of their culture differs from one to another. Then, it is better to find an employee which can adjust with their culture. But, in this era, the world is changing rapidly. It could affect employees' expectation and satisfaction accordingly. Furthermore, the company needs time to adjust their culture with sudden change and cope with employee expectation and satisfaction. With all of these, their employees will be satisfied and thus better productivity. Data of Employees for 2014-2018 at PT. Multitec Global Engineering is as follows:

Table 1.1
“Number of Employee resignation at PT. Multitec Global Engineering”

Year	Employee Resignation	% Change
2014	3	-
2015	1	-66.67%
2016	3	200%
2017	2	-33.33%
2018	4	100%

Source: Prepared by The Writer (2019)



Figure 1.1 Number of employee resignation at PT. Multitec Global Engineering

Source: Prepared by The Writer (2019)

Based on the data above, in 2014, there were three employees resigned from the company. While in 2015, there was one employee resigned from the company. In the following two years, it decreased from three to two employees who resigned

from company. In 2018, there were four employees resigned which increased the percentage by 100% comparing to previous year. This fluctuation is common and could happen to every company. The reason of these fluctuations is varying. It can be happening by employees who could not understand or accept the organizational culture being implemented by the company. Therefore, it will make them feel burdened and do not enjoy their work. They feel that they could not contribute their idea or creativity to the company. At the end, it will decrease their performance and thus give out the resignation letter to the company. The different perceptions of culture could lead to these situations.

Therefore, the writer is interested to discover whether employee performance is indeed affected by organizational culture through the *skripsi* entitled **“The Effect of Organizational Culture on Employees’ Performance at PT. Multitec Global Engineering”**

1.2 PROBLEM LIMITATION

Due to Limitation of time and budget, the writer would like to limit the research to Organizational Culture, as the Independent variable, whose indicators are Organizational values, Leadership styles, Organizational climate, Work system, and its effect on Employee Performance, as dependent variable, whose indicators are Performance, Motivation, Training Program, Feedback at PT. Multitec Global Engineering.

1.3 PROBLEM FORMULATION

The following are the research questions in this *skripsi*:

- a. How is the Organizational Culture at PT. Multitec Global Engineering?

- b. How well do the employees perform at PT. Multitec Global Engineering?
- c. Does Organizational Culture have effect on Employee performance at PT. Multitec Global Engineering?

1.4 OBJECTIVE OF THE RESEARCH

The following are the research objectives in this *skripsi*:

- a. To describe the factors that affect organizational culture at PT. Multitec Global Engineering
- b. To assess employees' performance at PT. Multitec Global Engineering
- c. To investigate whether Organization Culture has effect on Employee Performance at PT. Multitec Global Engineering

1.5 BENEFIT OF THE RESEARCH

The writer expects that this research can give benefits, both theoretically and practically.

1.5.1 Theoretical Benefit

The results from this research can be used to expand insight and knowledge, and contribute to academic area, especially regarding Organizational culture and Employee performance.

1.5.2 Practical Benefit

The practical benefits of research are as follows:

- a. For the writer

The writer can develop her knowledge and experience about Organizational Culture and Employee performance either practically or theoretically.

- b. For PT. Multitec Global Engineering

The information of the research can help PT. Multitec Global Engineering to develop and maintain the business in this competitive environment.

c. For other researchers

They are expected to be able to use the results of this research as an additional reference in carrying out further researches.

1.6 SYSTEMS OF WRITING

The following is the system of writing in this research:

Chapter 1 Introduction

This chapter explains about the background of study, problem limitation, problem formulation, objective of research, benefit of research, and system of writing.

Chapter 2 Literature review and hypothesis development

This chapter elaborates the theories of entrepreneurship, family business, organizational culture, employee's performance, explain about relationship between organizational culture and employee performance, previous research, hypothesis development, research model, and framework of thinking.

Chapter 3 Research methodology

This chapter is the methods and techniques used in conducting the research. The writer will present research design, research object, data collection method and data analysis method.

Chapter 4 Data analysis and discussion

This chapter describes about general view of the research object, data analysis, descriptive statistic, result of data quality testing, result of hypothesis testing, and discussion.

Chapter 5 Conclusion

This chapter describes about conclusion, implication, and recommendation.