

## CHAPTER I

### INTRODUCTION

#### 1.1 Background of the Study

Nowadays, the world faces continuous changes, especially in the fields of technology, innovation and development. Many startups and unicorn companies are formed like Tokopedia, Go-Jek, Traveloka and so on. The companies in Indonesia become increasingly competitive. Bibby (2016) stated that unicorn companies are often sources for flexible jobs that also pay well. For example, working for Go-Jek might be the desire of many young people in Indonesia. This company is notoriously innovative and it does not even follow the conventional norms that are common to previous corporate companies. In addition, Go-Jek also provides a variety of facilities so that employees are not too stressful in the office. One of the highlights is the presence of a playground at the Go-Jek headquarters. As a company that emphasizes the dynamism in terms of service and work culture, Go-Jek employees are free to come and go home whenever the work is done. It also provides an opportunity for employees to develop their abilities after work is completed (Ikhsanti, 2017). The compensation offered by unicorn companies makes employees that are working in other company begin to compare. This can affect the motivation of the employees.

According to Drucker (2006) in Ismajli et al. (2015), from the 20<sup>th</sup> century, the most valuable asset in companies were production machineries. However, the most valuable asset of the 21<sup>st</sup> century, for all types of organizations is knowledgeable workers and their

productivity. So, the knowledgeable worker is the key to the company's development. Organizations need the capability of human resources to improve their performance and achieve long-term success (Chuang et al, 2015). Employees minimal expect their organization to provide fair wages, safe and healthy working conditions, and fair treatment. Therefore, an understanding of employee motivation is very important for organizations to meet these expectations.

Amstrong (2016) stated that motivation derived from the term motive which is a reason for doing something. Motivation involves aligning employee goals and values with the organization's mission and vision in order to create and maintain high levels of performance. According to Adi (2000), Anka (1988) & Rothberg (2005) in Abbah (2014), modern markets are very competitive. Regardless of its size, organizations face the challenge of employee retention. To overcome this obstacle, companies can create and maintain strong and positive relationships between employees and organizations, especially high-performance workers who consistently provide high quality of work, maintain high levels of productivity and overcome challenges and obstacles. No organization can progress or achieve success except and until, the employees in the organization are satisfied, motivated to fulfill tasks and achieve goals.

On the other hand, according to Amstrong (2016), unmotivated employees show signs of low morale, this can have destructive implications in the organization. Some characteristics of unmotivated employees are high absenteeism, delay, high employee turnover, sabotage, low pride in their work, waste, low job satisfaction, endless complaints, indiscipline and lack of team spirit. Thus, the company must immediately take action for unmotivated employees such as holding counseling sessions, explaining the benefits obtained from the

company and ensuring the expectations of unmotivated employees are met.

Presently, PT Asia Sakti Wahid is being aggressive in making their products as the first choice of consumers throughout Indonesia. This can be seen from the award they just won in 2018 which is Anugerah Brand Indonesia (Irta, 2018). In addition, PT Asia Sakti Wahid is not only sells their products domestically, but also exports their products to several countries. The process to become a top brand in Indonesia is not easy. Employees at the company will certainly get a higher work target, so that for some employees, it can be considered a burden or pressure. For this reason, the authors are interested in conducting research whether employees at this company actually have high motivation to continue to maintain the award, or even increase the number of awards, in the following years.

The results of the preliminary research that authors do at PT Asia Sakti Wahid Food Manufacturer shows quite alarming results. Researchers get data that the turnover percentage in this company tends to increase every year. The attached data are data from 2014-2018:

**Table 1.1 Data of Turnover in PT Asia Sakti Wahid Food Manufacturer from 2014-2018**

	2014	2015	2016	2017	2018
Average of total employees per month	1568	1623	1605	1683	1705
Average of total employees resign per month	12	16	17	23	27
Percentage (%)	0,77%	0,99%	1,06%	1,37%	1,58%

Source : Data are processed by author (2019)

From the data above, the turnover in this company is quite high. In the last five years, the number of employees that resigned kept increasing. The highest turnover number of employees is in the 2018. The high number of turnover in PT Asia Sakti Wahid Food

Manufacturer shows that they have crucial problem in retaining their employee.

Smart employers will know that compensation is the employees most need rather than other factors (Leonard, 2019). According to Dessler (2007) in Negash, Zewude & Megersa (2014), compensation referred to as the remuneration provided by the company to employees, which can be financial or non financial, in a fixed period. According to Gibson (1996) in Rizal, et al (2014), one company goal to welfare employees is providing compensation to make employees constantly work. Employee's compensation affects their productivity and their turnover tendency. If employees see that hard work and superior performance is recognized and rewarded by organization, they will increase performance with hope to obtain a higher level of compensation. Conversely, inadequate compensation can reduce work performance, work motivation, and job satisfaction of employees, it can even cause talented employees to leave the company.

By realizing the important role of employees for a company, the authors are interested to do a research about "The impact of Compensation toward Employee's Motivation in PT Asia Sakti Wahid Food Manufacturer".

## **1.2 Problem Limitation**

There are many factors that can effect employee's motivation like compensation, relationship with colleagues, leadership, company's culture, learning and development opportunity (Jay, 2019). However, due to the limitation of time, ability and knowledge, the writer would like to limit the research to compensation as the independent variable and its relation to employee motivation as dependent variable at PT Asia Sakti Wahid Food Manufacturer in Jalan Pertahanan I No. 7

located in Medan. The data retrieval process will be done by giving a survey to each selected person randomly in each department where this method is called the simple random sampling method and the data analysis tool will be simple linear regression using SPSS.

### **1.3 Problem Formulation**

Based on the background of the study, the problem formulations are:

1. How is the condition of compensation in PT Asia Sakti Wahid Food Manufacturer?
2. How is the condition of employee's motivation in PT Asia Sakti Wahid Food Manufacturer?
3. Is there any impact of compensation towards employee motivation?

### **1.4 Objective of the Research**

The research objectives for selecting the title above are as follows:

1. To investigate the condition of compensation in PT Asia Sakti Wahid Food Manufacturer.
2. To find out how is the condition of employee's motivation in PT Asia Sakti Wahid Food Manufacturer.
3. To find out how compensation impact employee motivation in PT Asia Sakti Wahid Food Manufacturer

### **1.5 Benefit of the Research**

Benefit of the research is divided into two sub-chapters as follows:

#### **1.5.1 Theoretical Benefit**

The theoretical benefit expected from this study is as a basis and reference to further studies that relate to workers' compensation and motivation and become the subject of further studies.

#### **1.5.2 Practical Benefit**

The practical benefits expected from this study are as follows:

- a. For companies  
Can be used as information and consideration in implementing compensation so that employees are more motivated.
- b. For employees

With the right compensation and motivation, it is expected to further improve employee performance so that employees can work better.

c. For Researchers

As an additional knowledge, especially about work motivation.

## 1.6 Systems of Writing

The content of this *skripsi* will be split up into five chapters. Each chapter will be divided into several sub-chapters according to the requirement as follows:

### Chapter I: Introduction

In this chapter, there are background of study that explain the phenomena that persuade writer to choose the topic of “ The Impact of Compensation towards Employee’s Motivation” in *PT Asia Sakti Wahid Food Manufacturer*. Moreover, there are problem limitation, problem formulation, objective the research, benefit of the research and systems of writing.

### Chapter II: Literature Review and Hypothesis Development

This chapter contains a general theoretical review in accordance with the background of the study, such as definition of compensation, motivation, the relationship between compensation and motivation with relevant previous research and framework of thinking.

### Chapter III: Research Methodology

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

### Chapter IV: Data Analysis and Discussion

This chapter contains the general description of *PT Asia Sakti Wahid Food Manufacturer*, such as the history and organization



structure of the organization. Furthermore, there will be an explanation of the result related to the theory and previous research.

## **Chapter V: Conclusion**

In this chapter, there are brief explanations about the result of the research, the impact towards the basic formulation or recommendation or the future action plan and the suggestions.

