

CHAPTER I

INTRODUCTION

1.1 Background of Study

Nowadays, people go to the Café not only to enjoy their meals, but they also want to appreciate the ambience, environment, and often take picture for their social media life. According to Hultén and Krishna (2016), use sensory cues will be useful in influencing customer emotions and purchase behavior through detail store atmosphere. Sensory cue is compliment vision in store atmosphere, such as scent in store and music. Ambient cue refers to the store atmosphere such as the music, scent, temperature, and etc. Design cues are related to consumers or customer perception such as the store layout, color, and facilities. Social cues related to the appearance of the employees and customers.

In these modern days, business competitions are getting higher, bigger and even stringent, especially in a business that related to service such as hotel, restaurant, or café. These days, Café business is one of the most popular business and have high demand. With the numbers of cafes that spring up, café business owners are trying to win the competition. Therefore, café entrepreneurs are required to have creativity in creating flavored products such as the food and beverages that are being sold, with differentiated products that being sold, the café can survive in this competitive eras.

Business nowadays, forces the company to create higher level of employee performance for company to develop which company should be able to build, organize, and increase performance in its environment. Human resources are one

of the most valuable assets for company and the success of the company is influence by the performance of the employee. Therefore, the company must be able to manage the employee and to improve their employee performance.

Globalization has pushed the business world to become increasingly competitive, and strengthening competition which in the end only the company that have the competitive ability that are able to survive. Due to this competitive era, businesses are encouraged to update and develop their products qualities and service to provide more values to customers in order to survive.

To be able to survive and obtain a reasonable profit, service organization are required to continue to adjust products services to the needs of the service user community. Agustina (2019, p.2), “Utilizing resources optimally and professionally means using employees from planning, implementation to monitoring and evaluation on target and fulfilling the desired rules both by the employees themselves and by the organizations where the employees take shelter. Therefore, human resources can be said to be the main factor or the driving force of an organization”. An organization is said to be successful if it can effectively and efficiently utilize resources especially optimal and professional employees.

To achieve companies’ goals, companies need to plan and to meet the needs of the human resources such as employee performance appraisal result. Human Resources Department is created to manage the workforce to be effective and efficient to develop all the abilities that they have to achieve company goals and employee objective.

Human Resources have played an important role in company. Therefore, to obtain quality and productivity of the human resources, a policy is needed to stimulate and motivate the employee performance. In general, people are encouraged to work to fulfill their daily needs. Therefore, people work harder and actively as the result, they achieved something from their work such as salaries, wages, rewards, compensation and more.

Human Resources in companies have to manage starting from planning, recruiting, selecting, staffing, training, developing, and including employee performance appraisal. Employee performance appraisal is provided to measure employee performance at certain period of time. Performance appraisal is conducted to evaluate of each employee working performance. After the appraisal is complete, rewards or punishment are given for the concerned employee.

In an organization or company, there are certain goals to achieve, and one of the factors that support the companies' goals is the individual or the human resources of the companies itself. With a good human resource being applied, it can support the business with their good performance, while the bad human resources that incompetence and low performance, it can become problems for the company and could lead to disadvantages. In addition, the performance of the employees is also marked with an error rate of employment increase and an increase of the delay and the absence of the employee, causing sometimes a shortage of employee at Morning Glory Café Medan.

Table 1.1
Attendance Data in Time Range at Morning Glory Café Medan
2020

Month	Late	Absent
January	8	5
February	7	7
March	6	6
April	5	9
May	9	4
June	10	6
August	11	9
September	13	11
October	15	15
November	11	12
December	17	13

Sources: Morning Glory Café Medan, 2021

Human resources management considers employees as main assets that must be managed properly, in which it will be more strategic for company to achieve its stated goals. Higher Performance means an increase in efficiency or effectiveness in completing the duties and task that are being assigned to employee in companies. Employee performance at Morning Glory Café Medan has decrease which they cannot complete their works on time such as carrying their duties and responsibilities, increase level of absenteeism, in which their work cannot be complete quick and precise.

According to Suharno (2016) employees are assets, where the most important assets is in their human resources human power. It shows that how important human resources such as employee to the company, which companies must be optional in managing their human resources. In order to achieve company certain goals, there must be an action that company needs to do to increase employee performance. Those actions are believed to have an influence on the employee performance. To increase employee performance, effectiveness,

companies are suggested to have effective commissions or rewards to maintain the employee performance and motivate them.

There are factors that affects employee working performance such as working environment, relationship with the colleagues, training, security, and more. Among those factors, that effects employee performance is motivation that come with rewards.

According to Gibson and Wibowo (2017), Reward or award also aims for the person in becoming more and more active in trying to improve or improve an achievement that has achieved. Whereas, punishment is defined as punishment or sanction given when violent occurs. By providing rewards or awards to the employees, it is expected to be able to motivate employee to do more to increase productivity at work.

When the employers give reward, they also have to pay attention to the needs of the employees so that employee can work with enthusiasm and pay attention to the regulations that exist in the company. Employee performance will increase when they enjoy the rights they should have (Raja and Jamil, 2017). According to Nyaroo (2018), there is a positive relationship between Inhouse Reward variable and performance variable where those variables will influence one another.

Reward will be given to the employee who has good performance and capable to reach the target, while punishment is consequences to an employee who is not able to achieve their target. Performance appraisal is a form of motivation

and appreciation in the world of work. With appraisal, employee will be motivated to give their best performance.

Performance appraisal system is helpful for company to evaluate employee performance. In other words, company should create an effective performance appraisal which consider company objective because the purpose is to measure employee performance whether the performance appraisal will bring benefits for both company and employees. For company, it will help to know the progress of the employee performance and decide the best policy like inhouse reward and punishment for the employee. While for employee, they can know the feedback of their performance and as input for them to improve their next performance.

Giving rewards to employee will increase their motivation and efforts for the company such as increase job satisfaction, employee working performance, maintain loyalty, stability, create good atmosphere, and increase employee responsibility towards their duty and task.

Organization mainly relies on extrinsic rewards to motivate their employees. Intrinsic rewards are not formally considered in Reward policies and practices because it is psychological phenomenon. When strong extrinsic rewards are provided for engaging in a particular job, intrinsic rewards to do that job decline. It can be synergic, in which company can combine them in order to improve performance (Amabile, 2017). To create high performance workforce, company need to have right balance between intrinsic and extrinsic rewards.

The system for receiving rewards from companies is still not clearly implemented to employees Morning Glory Café Medan, causing difficulties for employees to receive rewards, rewards are often only giving in the form of a fairly small salary increase according to employees, which triggers a decrease in employee performance at Morning Glory Café Medan. Inhouse reward system at Morning Glory Café Medan is still not clear on the terms of the presence of the rules. If the employees are diligent to come to the cafe with the exact time, they will get reward in the form of incentives but in practice there are employees who get and employees who do not get the incentive. This reflects that inhouse reward system that is being applied still does not satisfied the employee.

This is the reason of why the writer would choose “The Effect of Inhouse Reward System towards Employee Performance at Morning Glory Café Medan” as the topic of the research.

1.2 Problem Limitation

Due to the limit of time, opportunity, and resources, the writer will only focus on the system of receiving rewards towards employee performance, which the employees are not satisfied with the reward they receive at Morning Glory Café, Medan. The indicators of inhouse reward system include additional to basic pay, bonus, incentive, career development pay, and non-financial pay (Bakshi, 2017). Meanwhile, the indicators of employee performance are amount of work, quality of work, timeless, presence and ability to work together (Bangun, 2015).

1.3 Problem Formulation

Based on the background of the study, these are the problem formulations of this research:

1. How is the Inhouse Reward System in Morning Glory Café Medan?
2. How is the Employee Performance in Morning Glory Café Medan?
3. Does the Inhouse Inhouse Reward System affect the Employee Performance in Morning Glory Café, Medan?

1.4 Objective of the Research

The objective of the study is:

1. To analyze Inhouse Reward System in Morning Glory Café Medan.
2. To analyze Employee Performance in Morning Glory Café Medan.
3. To know the effect of the Inhouse Reward System towards Employee Performance at Morning Glory Café Medan.

1.5 Benefit of the Research

The benefits of the research are the benefits that can get after completing the research and can be used by certain parties. There are two types benefit of the research which are Theoretical Benefits and Practical Benefits.

1.5.1 Theoretical Benefits

Theoretical benefits are a research benefits that is seen from the theoretical point of view. The theoretical benefits of this research are a reference for similar

research in the future, especially concern about paying attention to the level of Inhouse Reward System to maintain the Employee Performance.

1.5.2 Practical Benefits

Practical benefits are a benefit that is seen from the practical point of view which it can be useful in everyday life. These are some of the benefits are expected for:

1. It helps the writer to know the effect of Inhouse Reward System towards Employee Performance in real life.
2. To help to improve the reader knowledge about the important of the effect of Inhouse Inhouse Reward System towards their Employee Performance.
3. To help the company to aware that the Inhouse Inhouse Reward System effected the Employee Performance.