

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Organization is something that is physical and concrete and is a structure with definite boundaries. The term organization suggests that something tangible encapsulates people, relationships and goals. Within the organization itself, there are many processes and activities that require communication between the individuals involved in it. This is what causes the importance of communication in organizations.

Optimizing the ability of company management in order to answer challenges and face competition needs to be done. One of the ways is by increasing the capability of its human resources as a very strategic management element. Management can carry various strategies in order to optimize the capabilities of its human resources. Of course, the strategy applied must be accompanied by optimal human resources who support the implementation of the strategy so that it can lead to the achievement of organizational goals correctly.

The productivity of an organization or institution cannot be separated from the quality of its human resources. Human resources are the best asset for an organization. In contrast to non-human factors or assets such as facilities and infrastructure to support organizational activities, human resources are unique and special assets because of these assets cannot be separated from human aspects. In addition, human resources also have an active personality, use a lot of intuition,

are dynamic, even sensitive and at the same time manage and use the basic and infrastructure owned by the organization namely technology and costs to produce certain outputs.

In essence, an organization always strives to increase the productivity of its human resources to face and play a role in an environment that is always changing rapidly. Environmental changes that occur quickly require an increase, productivity and work performance at the bottom, middle and top positions. The rapid development of science and technology, which will change the nature of work and the skills required also requires all human resources to always learn.

All human resources are obliged to develop their potential in accordance with the needs of the organization, society, and the progress of the times. Reliable human resources in an organization is one of the requirements for a professional workforce. As a measure of the productivity and reliability of human resources, an assessment of the work performance or achievements of these human resources can be conducted by the organization. This can be seen if these human resources are able to conduct their main duties namely complying with the rules and systems and procedures applied in an organization.

According to Busro (2018), human resource management is a very important role in determining the success of an organization in facing the challenges of change. In this case human resource management activities related to selection, placement, training, compensation, career management and performance management. As one of the human resource management activities, performance management is an effective tool for directing and measuring the

contribution of employees in an organization.

Performance management involves the leadership manager because although employees are responsible for managing their respective performance, they also need guidance and support in doing so. Performance management emphasizes that performance management demands intensive attention because it is part of a continuous process in improving and developing the organization. A performance management that can ensure that the activities and work results of employees are in line with organizational goals and can result in organizational success in carrying out its strategy.

According to Fauzi (2020), performance management is a process in which managers ensure that the activities and work results of their employees contribute to organizational goals. Performance management is a manager's job cycle to plan performance, train to manage and assess the performance of his subordinates and this cycle occurs continuously. The performance management process includes determining performance by emphasizing performance aspects that are relevant to organizational goals through job analysis, measuring performance aspects through relevant performance appraisals and providing feedback to employees so that they can adjust their performance to organizational goals. This performance management process will help managers and employees to focus on organizational goals.

Performance appraisal is an important part of the overall performance management implementation process. Performance appraisal can be used as a formal evaluation system that can help foster motivation, initiative, a sense of

responsibility, thereby stimulating employees to show better work performance. Performance appraisal can be used as a means of communication between superiors and subordinates because this allows discussion of issues related to work and work performance so that each party gets to know each other better. Through the performance appraisal, organizations can obtain information about how well employees are doing their jobs. Companies need high performance from their employees while employees also need feedback on their performance as a guide for their future behavior.

The implementation of performance appraisals is not limited to assessing employee performance. The objectives of the assessment are divided into two, namely administrative and development objectives. Administrative objectives focus on the use of performance appraisals to inform decisions regarding salary increases, promotions, transfers, mutation and validation tests for selection. Whereas the development goal is more directed at the use of performance appraisals to provide feedback on the strengths and weaknesses of employees which will be useful in improving performance.

CV Anugerah Pratama is the manufacturing company of plastic product which operating in 2007 at Medan. The company's sales in year 2017-2019 is as follows:

Table 1.1
Sales in Year 2017-2019

Year	Amount (Rp)
2017	22,850,550,500.-
2018	21,800,600,500.-
2019	20,700,800,500.-

Source: CV Anugerah Pratama (2020)

The company cannot increase the sales in year 2017-2019. The employee's productivity is not optimal. The employee cannot increase the productivity in working result such as increasing sales in achieving sales target. The employee's productivity also can be seen in the amount of damaged product in year 2017-2019. There is increasing and high of damaged product. The company does not conduct activities effectively and efficiently because the increasing of damaged product can increase cost of production per unit with result that the company cannot obtain profit optimally with efficient cost and effective production. The marketing expense also increases without increasing of sales.

CV Anugerah Pratama's performance management system is not optimal yet. So far, the company's concrete actions to plan work are through the preparation of business plan and compile a strategic plan. In making the strategic plan, the activities required by the company within a year are determined. However, the activities that have been compiled in the strategic plan have not been used as benchmarks in conducting the unit's objectives. For example, strategic plan in increasing sales is not implemented in each department's objective. Strategic plan is not implemented on production and purchasing department in providing product quickly to customer in order to fulfill the sales order. It is as if the preparation of a work program is still standing alone not leading to the strategic goals that have been set. For instance, the marketing department has determined the working program for marketing staff in increasing the sales quantity without maintaining relationship with customer. The increasing of sales without strategic plan cannot maintain the amount of sales in future. In

addition, monitoring, guidance and evaluation of work implementation is still weak. Monitoring and evaluation is limited to the budget, while the success of the activities that have been made is not conducted. Currently, management solve problems at work with coordination meetings between units. The meetings with employees have purpose to know the employee's progress and achievement of job. However, the performance management with performance evaluation is not conducted by the company in order to know the condition of employee's job. Employees do not know what should be achieved in their work or do not know whether they can be said to have performed as expected or not without regular meeting for performance evaluation. Employees work without any performance goals and targets to be achieved. This of course will have an impact on company productivity.

The performance appraisal system applied so far only applies to employees with the aim of being a basis for decision making to continue, terminate cooperation and appoint employees. Meanwhile, for permanent employees there is no mechanism to assess their performance. The only assessment conducted for all employees is based on attendance level only. At the same time, there is no performance appraisal either based on behavior or work quality. Currently, there has been employee dissatisfaction and distrust of management, especially in administrative decisions in payroll, promotions, transfers and decisions that are developmental in training.

There has been anxiety among employees where they feel less valued in their work. As a result, employees only do an improper job because according to

them, they are working as well as possible or that there is no effect. In other words, there is no appreciation for the contribution that the employee has given to the company. This condition is caused partly because they rarely receive feedback from their work. This situation is exacerbated by a number of skilled employee moving to competing companies. Meanwhile, existing employees are less passionate about work and less motivated to conduct the job.

From the description of the background of the problem above, the writer feels interested in studying in depth in the form of research with the title: “**The Effect of Performance Management on Employee Productivity at CV Anugerah Pratama, Medan**”.

1.2 Problem Limitation

To avoid the misinterpretation of readers and deviate the subject matter, therefore researchers focus on the application of performance management in improving employee productivity.

1.3 Problem Formulation

Based on the description of the background of the problem, the authors formulate the following problems:

1. How is the performance management in CV. Anugerah Pratama, Medan?
2. How is the employee productivity in CV. Anugerah Pratama, Medan?
3. Does the performance management have effect on employee productivity in CV Anugerah Pratama, Medan?

1.4 Objective of the Research

The purpose of writing are:

1. To find out how is the performance management in CV, Anugerah Pratama, Medan.
2. To investigate how is the employee productivity in CV. Anugerah Pratama, Medan.
3. To analyze the effect of performance management on employee productivity at CV Anugerah Pratama, Medan.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

This research theoretically is useful for adding insight and vocabulary of scientific studies in human resource development especially regarding performance management and employee productivity.

1.5.2 Practical Benefit

Practically, this research can be used to observationally test the effect of performance management on employee productivity. Besides, this research is also expected to provide other benefits such as:

1. For the company

The design of performance management in the company is expected to provide practical benefits to obtain an effective performance management in increasing employee productivity.

2. For the writer

The benefit is increasing knowledge about performance management and employee productivity.

3. For the other researcher

The results of this study can be used as literature in improving employee productivity.

