

CHAPTER I

INTRODUCTION

1.1. Background of the study

Nowadays, every company is competing to meet the aims and objectives set by top management. This arises because business competition is getting tougher so that every company is trying to increase its human resources in order to compete and survive in a competitive market. Companies should not only rely on technology, modern equipment or adequate facilities to achieve targets because without competitive quality human resources, those technologies cannot be run smoothly. Therefore, the existence of human resources in a company plays an important role in determining the success and failure of the company. Every organization has human resource management department which has tasks to selecting, organizing, training, motivating, controlling all employee activities to get maximum results.

Human resources are one of the resources in a company that have feelings, desires, knowledge, encouragement, so that it could become one of the most valuable investments in an organization. Companies need to realize the importance of human resources for the survival and progress of the company. HR management must seek to effectively manage the use of human resources to achieve high productivity. HR management must concentrate on various factors that can boost employee performance well.

Employee performance can be interpreted as an activity carried out by employees in carrying out duties in line with the obligations imposed on them and

the amount of contribution employees can give to the organization. Performance refers to a person's real work in completing duties allocated to them based on their abilities, experience, willingness and time. Sudiardhita et al. (2018) There are many factors that can improve employee performance such as providing compensation according to employee preferences or based on the performance that employees provide. Employee motivation and work environment is also one of the driving factors to improve employee performance. According to Jannah E.F. (2017), motivation is a force that will make a person want to work, collaborate, work efficiently, and combine all of his efforts in order to attain fulfillment. By having high work motivation, every employee will give the best for himself and improve his abilities, expertise, and ethics in order to improve organizational performance. Therefore, employee motivation is very important because work motivation can help every employee to be more enthusiastic in achieving high performance in the future.

Furthermore, according to Sohlihin (2019), compensation is a financial reward given to employees in exchange for their contribution to the company. The provision of compensation in accordance with the skills, educational history and ethics of employees is useful to increase awareness of their work responsibilities. Compensation is an essential element for employees since the amount of compensation represents a measure of employee performance. HR management must strive to have high work motivation and compensation for employees so that they are motivated to use their best skills and abilities in their work to achieve company goals.

Additionally, work environment can also be one of the factors that can affect employee performance. According to Pawirosumarto (2017), work environment can be defined as the surrounding of workplace where all employees engage their activities that might influence employee productivity directly or indirectly. A good work environment will make employees feel comfortable and can carry out their duties optimally, healthily and safe. On the contrary, a bad work environment will make employees uncomfortable so they cannot work effectively and efficiently. In general, humans will carry out their activities well and achieve maximum results if their environment is suitable. There are several factors that affect a working environment such as air, temperature, sound, lightning, and space. Company must be able to create a good work environment atmosphere so that employees feel comfortable and can carry out activities as effectively and efficiently as possible.

This research is conducted by interviewing the manager and spreading questionnaires to the respondents. The method that was used is descriptive, quantitative research and causal research. Descriptive research is a research method that describe the characteristics of a population or phenomenon being studied. Quantitative research is described as a method of gathering fresh data collection in the form of numbers and analyzing it using descriptive or inferential statistics. Causal research is to figure out the relationship between a cause and effect. The writer is using descriptive quantitative because it is more objective, fast, focused and acceptable. The purpose of using descriptive and quantitative research is to explain a situation to be studied with the support of a previous research to strengthen the writer analysis in making a conclusion, where the research results are obtained

from the results of the calculation of the indicators of the research variables and presented in the writing report. This research is aims to determine whether there was effect in motivation, compensation, and work environment on employee performance at PT Jaya Hasil Laut, Medan.

The object of this research is PT Jaya Hasil Laut. The company is a family business that engaged in the distribution of fresh and frozen sea products such as fish (Yellow Fin Tuna, Red Snapper, Grouper, Emperor Fish, Parrot Fish), cephalopod (octopus, cuttle fish, squid), shrimp, hard clam to restaurants and fish agents. The company was founded in 2009 by Rudi and is located at Jalan Pelabuhan Perikanan Gabion, Medan. Initially, the company did not have export-import services and only offered services throughout Indonesia. Over time, the business grew and provided import and export services. This company has been running for about 12 years and is currently managed by Hendra who is the son of the owner. The company is in the second stage of the family business and the owner of the company passes the business to his son due to retirement age. The reason why the writer choosing PT Jaya Hasil Laut as research object because employee performance is measured by meeting targets, employees are required to show good performance, improving employee performance requires several things such as high motivation, compensation that is in accordance with the workload and a work environment that supports employees to improve their performance.

In running the business, PT Jaya Hasil Laut also has several competing companies that are quite mature in terms of the business they run and compete with companies as competitors, including:

Table 1. 1 Competitor from PT Jaya Hasil Laut, Medan

| No | Competitor's Name | Products | Year of Establishment |
|----|------------------------------|--|-----------------------|
| 1 | PT. Aceh Lampulo Jaya Bahari | Fresh and Frozen Products: Fish, Shrimp, Cephalopod, Crab. | 2014 |
| 2 | PT. Lautan Persada | Fresh and Frozen Products: Pelagic Fish, Shrimp, Cephalopod, Demersal Fish. | 2010 |
| 3 | PT. Samudra Perkasa Abadi | Frozen Seafood: Crayfish, Indian Mackerel, Black Pomfret, Chinese Pomfret, Ribbon Fish, White Pomfret. Tuna Whole Round: Skipjack Tuna, Yellowfin Tuna Fishmeal: Tuna Fishmeal | 2003 |
| 4 | PT. Bumi Menara Internusa | Fresh and Frozen Products: Shrimp, Fish, Crab, Cephalopod, Value Added | 1989 |
| 5 | PT. Toba Surimi Industries | Frozen Products: Fish, Cephalopods, Shellfish, Seafood Mix Canned Products: Fish, Cephalopods, Shellfish Pasteurized Products: Jumbo Lump | 1997 |

Sources: Prepared by writer (2021)

From the table above, it can be seen that the company has various main competitors within the country who are engaged in the distribution of sea products and also export the products to other countries, which has the same industries as PT Jaya Hasil Laut Medan. This is of course making the company's business development more competitive because competitors also have the same service as the company. Therefore, it is important for the company to have good quality of human resources in order to continue developing the company and able to compete against competitor in this increasingly advanced era.

The following is the company's result of production data to support the research conducted.

Table 1. 2 The Result of Production of PT Jaya Hasil Laut from 2017 to 2020

| Year | Production Target | Realization | Ratio |
|------|-------------------|-------------|---------|
| 2017 | 80.000 kg | 76.519 kg | 95,64 % |
| 2018 | 100.000 kg | 94.451 kg | 94,45 % |
| 2019 | 100.000 kg | 91.070 kg | 91,07 % |
| 2020 | 80.000 kg | 69.058 kg | 86,32 % |

Source: Prepared by the writer (2021)

Recently, the company is facing a problem in their number of productions, it can be seen from the table above that the ratio of production achieve is declining from year to year and the realization of the products produced has not reached the target set by the company. Realization that does not reach the target proves that the company's employee performance is declining.

Table 1. 3 Employee Data from 2017 to 2020

| Description | Years | | | |
|----------------------------|-------|------|------|------|
| | 2017 | 2018 | 2019 | 2020 |
| Number of Employees | 57 | 55 | 53 | 48 |
| Resign Employees | 8 | 11 | 7 | 17 |
| New Employees | 9 | 5 | 6 | 3 |
| Total Absenteeism | 129 | 133 | 145 | 156 |
| Total Lateness | 145 | 165 | 155 | 178 |

Sources: Prepared by the writer (2021)

From the table above, it can be seen that employee turnover is high, absence and lateness of employee are also increasing from year to year. The high level of absenteeism and the number of employees resign can be an indication that employees feel less motivated and less satisfied with the work they are doing. Employees which is less motivated will result in a decrease in overall company performance since employees are the one who drive company activities and number of productions will be decreasing from the target that set by the company.

The factors that lead to affects low employee's motivation at PT Jaya Hasil Laut is the company is not concerned with employees' career growth. Employee who works diligently and achieve targets are not rewarded with promotions or further incentives. This causes employees not to motivate themselves to work harder and maximize their full potential because they feel underappreciated and receive no

recognition from superiors. Another problem in the company is lack of personal approach and attention from superior, resulting in self-motivation and declining work motivation. Companies rarely provide activity or vacation for their employees resulting lack of kindship and friendship. Employee relationships may be strengthened by spending the holidays together since these activities allow them to communicate effectively with their coworkers.

On the other hand, the compensation provided by the company to employee is also not appropriate and does not match to performance since company only provide compensation in once a year which is THR. This makes employee unmotivated to achieve targets. Employee's salary and salary increment that the company gives are not fully in line with what is expected by the employees. The company does not provide benefits like health insurance, retirement allowance and BPJS. Companies should provide these benefits so employee will be more enthusiastic to work. Company also should give some bonuses for the employee whom never come late or absent so it can motivate employee to come on time and decrease the number of absent. The implementation of compensation is very important to be considered since compensation can increase and decrease performance. A company usually provides compensation through an appropriate remuneration and to create a climate within the organization that is able to provide job satisfaction so employee can be motivated and improve their performance. In the other hand, employees may leave if the amount of compensation is not competitive, resulting in a greater employee turnover in the company.

Furthermore, the existing work environment at PT Jaya Hasil Laut, Medan does not support employees to work comfortably. The temperature at the production place is cold because the company wants to maintain the quality of their product. The air contained in the production location is also stinging this is caused by poor air circulation in some work areas so that sometimes employees feel less comfortable to carry out their activities. The lighting in the workplace is dark and it makes employees uncomfortable and can't focus well when working. In addition, the space in the production place is also not wide which it is difficult for employees to move freely and efficiently, and lead to hinder work. That is the reason why employees are not productive in the production.

Having realized on the importance of the motivation, compensation, and work environment on employee performance, the writer is interested to conduct research with the title of **“The Effect of Motivation, Compensation and Work Environment on Employee Performance at PT Jaya Hasil Laut Medan”**.

1.2 Problem Limitation

Due to the limitation of the ability, time and budget, the writer will set up several limitations to avoid wider discussion, as follows:

1. The data of this research is gathered from PT Jaya Hasil Laut located in Jalan Pelabuhan Perikanan Gabion, Medan.
2. The respondents were only taken from employees of PT Jaya Hasil Laut that are located in Medan.
3. The research only uses three (4) variables, which are Motivation as Variable X1 (independent variable), Compensation as Variable X2

(independent variable), Work Environment as Variable X3 (independent variable) and Employee Performance as Variable Y (dependent variable).

1.3 Problem Formulation

Based on the background of the study, the question to be answered in this research are as follows:

1. Does motivation have effect on employee performance at PT Jaya Hasil Laut Medan?
2. Does compensation have effect on employee performance at PT Jaya Hasil Laut Medan?
3. Does work environment have effect on employee performance at PT Jaya Hasil Laut Medan?
4. Do motivation, compensation and work environment have effect simultaneously on employee performance at PT Jaya Hasil Laut Medan?

1.4 Objective of the Research

The objective that the writer aims to achieve in this research are as follow:

1. To know how motivation effect employee performance at PT Jaya Hasil Laut Medan.
2. To determine how compensation effect employee performance at PT Jaya Hasil Laut Medan.
3. To evaluate how work environment effect employee performance at PT Jaya Hasil Laut Medan.

4. To discover how motivation, compensation and work environment simultaneously effect employee performance at PT Jaya Hasil Laut Medan.

1.5 Benefit of the Research

The benefits that can be obtained from this study are the contribution extracted either from theoretical or practical aspects from the related research results.

1.5.1 Theoretical Benefit

The result of this study will contribute on the development and data and theories, especially on work motivation, compensation and employee performance.

1.5.2 Practical Benefit

In practical, this research can be useful as follows:

- A. The benefit for the writer is that all the research stages as well as the results obtained will extend the knowledge of writer about the effect of motivation, compensation, and work environment on employee performance.
- B. For the company, this research can be used as addition information or input material for the company in addressing employee problems regarding motivation, compensation, and work environment on employee performance
- C. For the researcher, this research can be used as a reference for similar topic.