CHAPTER I

INTRODUCTION

1.1   Background of the Study

In this period of globalization, there has been great competition among organizations. All organizations want to get a competitive advantage for their success. To be successful, an organization needs to have a competitive advantage to have a superior position against competitors. One way to achieve a competitive advantage is to have a good human resource management. Because human resources have a very important position in determining success of a company.

Human resource management's main responsibilities are to decide what kind of staffing you need, employing and training the best employees, ensuring they perform at top-level, and dealing with the performance's issues. They are also responsible to ensure every employee knows various regulations, employee records, and personal policies. The human resource helps to develop business by increasing employee performance. According to Mangkunegara (2018), Employee performance is defined as how an employee completes their job and their required tasks, with effectiveness, quality, and efficiency as their output. Regarding employee performance effectiveness, this company assess the employee performance by 4 main points:

- Quality of work, example: in this company, the quality of work is measured by the speed of work and the skills of employees in

running various machines in the company. As for new employee doesn't know how to operate these machines, they will be measured by how adaptive they were in the works given to them and how quick they learn to operate those machines.

- Quantity of output, example: the number of products that they are require to products on the daily basis.

- Completing each task without error or mistake

- Their responsibility, example: the company has set working hours for employees that they must follow.

To make sure that employees have an effective performance, the Human Resource Management team has the job to find out the most essential thing that is meeting the demand of the employees. By meeting their needs, it is important to motivate them by giving compensation and reward for employees. According to Salah (2017), Reward is something we give to someone because he/she is doing something reasonable as appreciation, as an expression of gratitude and our attention. The reward can be given through financial and non-financial from the company to the employee. According to Amri and Indah et al (2019), there is significant growth in employees that have been rewarded, their motivation improves in giving their best work for the desired result. In this case, the company provides rewards in the form of weekly salaries, bonus that can be achieved if there are no absences more than 2 times a month, promotions for employees who have worked for a long time and contributed to the company.

Meanwhile, punishment is to give sanction to the employees that breach policies or have bad performance for the sake of not making the same mistake again. According to Mangkunegara (2017), Punishment is a form of discipline with the intention of improving employee performance, maintain applicable regulation, and as a lesson for the employee that obeys the company regulations. Regarding this matter, the company gives punishment to employees if the employee violates the rules and conditions that have been set by the company that has been mutually agreed upon. The punishment could be in the form of verbal warning, cutting the employee bonus and dismissal of the employee, it depends on how bad the mistake the employee committed. Hopefully, the implementation of the reward and punishment system on employee performance can be used to achieve company goals.

CV Tinta Mas is a family – owned business that works in the printing industry, mainly offset printing. Besides offset printing, CV Tinta Mas also sells Chinese tradition paper (*kimcoa*) and vegetable wrapping paper. CV Tinta Mas is in Jln. Beratagi no.22, Medan. The writer will be conducting the research at CV Tinta Mas, as the writer has identified the problems that this company faced.

As facing the problems created during the situation, employees at CV Tinta Mas are not performing very well and discipline recently. The company is facing problems mainly lack quality and effectiveness on employee performance. This is related to employee absenteeism which resulted in the high rate of employee turnover. These become the main problems of the company, employees that are

often absent from work are being expelled from the company, which can have a bad influence on employee performance. The data regarding the absence of the employees are as follow:

	January	February	March	April	May	June	July
Number of employees	32	31	30	31	31	31	32
Average number of daily absent/month	14	8	11	10	17	12	5
Average rate of absent/month	43,75%	25,80%	26,67%	32,25%	54,83%	38,70%	15,62%

Table 1.1 Data
Sources: Prepared by the writer (2021)

Based on the information directly from the manager as stated above, the employee turnover rate and average rate of absent are high. It could be seen from the number of employees keep changing from month to month. Moreover, the average rate of absent is also high, which consist of one-third of the total employees. This is believed to affect the performance of the employees.

Employee performance is not effective and efficient because of too many employees being expelled and changed with the new one. However, new employees might have a low rate of absenteeism but the problem here is it will take time for them to learn how to operate some printing machines and paper cutting machines which the former employee is already familiar with. So, the employee performance is not effective and efficient enough for the company.

With the reward and punishment system is being implemented to increase the quality of employee performance. The company usually provide incentive as a

form of reward at the end of the month for the employee who is not absent in that month. Also, the company gives warning for mistakes that can be forgiven and if the mistake is repeated from time to time, there will be dismissal of the employee. For mistakes with criminal behavior such as stealing and harming machines, there will be immediate dismissal for the related employees. These are the form of punishment that the company gives.

So, in this research, the writer wants to investigate the influence of the reward and punishment system on employee performance regarding the employee performance problem which is employee absenteeism and high rate of employee turnover. The tittle of the research will be **"The Influence of Reward and Punishment on Employee Performance at CV Tinta Mas"**

1.2   Problem Limitation

To be more focused on this research and due to the limitation sources, the writer decided to conduct the research by setting up several limitations such as:

a) The data will be gathered only from CV Tinta Mas, at Jalan Brastagi no.22 and Jl. M. Saman no.2, Medan, Sumatera Utara, Indonesia.

b) Due to the geographical, time and constraints, the respondents were only taken from the employees of CV Tinta Mas that are in Medan, Sumatera Utara, Indonesia.

c) The research only uses three variables, which were: Reward as variable X1 (Independent variable), Punishment as X2 (Independent variable), and Employee Performance as variable Y (Dependent variable).

1.3   Problem Formulation

Analyzing how Reward and Punishment can influence the employee's performance at CV Tinta Mas is the objective of the research.

Therefore, the research seeks to answer all the question below:

a) Does Reward influence Employee's Performance at CV Tinta Mas, Medan?

b) Does Punishment influence Employee's Performance at CV Tinta Mas, Medan?

c) How is the Employee's Performance at CV Tinta Mas?

d) Do Reward and Punishment simultaneously influence the Employee's Performance at CV Tinta Mas, Medan?

1.4   Objective of the Research

Understanding the influence of Reward and Punishment on Employee's Performance at CV Tinta Mas, Medan is the main objectives of this research. It is hoped that the completion of the research will result in good understanding of how Reward and Punishment system can influence the Employee's Performance. Therefore, the purpose of this study will be:

a) To analyze whether Reward have influence Employee's Performance at CV Tinta Mas, Medan

b) To determine whether Punishment influence Employee's Performance at CV Tinta Mas, Medan

c) To describe the Employee's Performance at CV Tinta Mas, Medan

d) To determine whether Reward and Punishment simultaneously influence Employee's Performance at CV Tinta Mas, Medan

1.5 Benefit of the Research

The benefits that can be obtained from this study are from theoretical or practical aspects from the related research result.

1.5.1 Theoretical Benefit

The benefit of this research is knowing more about the influence of Reward and Punishment Influenced on Employee's Performance.

1.5.2 Practical Benefit

The writer expects that the practical benefit for this research is as follows:

a) For the writer, to improve the knowledge of the writer on the influence of Rewards and Punishment on Employee's Performance.

b) For the company, the research can be used in improving the company Employee's Performance through the influence of Reward and Punishment

c) For the researcher, the research can become reference for similar topic in the future.