

CHAPTER I

INTRODUCTION

1.1. Background of the study

Organization is a place for a group of people who have a purpose wants to be achieved through the people in it. A group of these people the key to achieving predetermined goals. Any organization, good social organizations or business organizations will be faced with problems human Resources. Human resources are vital assets for progress and the development of the organization due to the changes that occur. According to Kimberlee Leonard (2018), the term "organizational management" refers to the integration of several aspects of leadership inside a corporation. The company's real structure is used to gather information and evaluate it. This information is then utilized to create strategies, which are subsequently put into action through meetings, training, and promotion. Every company employs organizational management in a way on the unique needs of the business.

Employee performance is one important aspect that must be considered by the organization, because of employee performance guide the organization to achieve its goals. To achieve good performance for employees it requires not only expertise, but also intelligence is needed emotional which is expected to produce optimal performance. According to Lia Ciner (2019), Employee performance is defined as how well a person performs their work responsibilities and completes their assigned tasks. It relates to the output's

efficacy, quality, and efficiency. Performance is also a factor in determining how valuable an employee is to the company. Because each employee represents a large investment for a firm, the return on that investment must be substantial.

Emotional intelligence, which means that intelligence ability to monitor one's feelings and emotions, differentiate them, and use this information to guide a person's thoughts and actions at work and gives meaning to life and if it is associated with the art of managing personal finances, spiritual intelligence will encourage the setting of goals from managing finances properly and correctly so that it has the opportunity to avoid the usual ways of financial accumulation. According to Kendra Cherry (2020), The capacity to recognize, control, and assess emotions is referred to as emotional intelligence. Some studies believe emotional intelligence can be taught and improved, while others believe it is a natural trait. It's important to be able to express and manage emotions, but it's also important to be able to comprehend, interpret, and respond to the emotions of others. Consider a world in which you couldn't tell when a buddy was unhappy or when a coworker was upset. Emotional intelligence is a term used by psychologists to describe this capacity, and some experts believe it is more significant than IQ in terms of overall life success.

Motivation is the word gotten from the word 'motive' which means needs, wants, needs or drives inside the people. It is the way toward encouraging individuals to activities to achieve the objectives. In the work objective context, the mental components invigorating individuals' conduct can

be desire for cash, achievement, acknowledgment, work fulfillment, cooperation, and so on. Quite possibly the main elements of the management are to make motivation among the employees to act in the best of their capacities. In this manner the work of a pioneer is to make interest in execution of employees in their positions. Motivation is divided into two types, extrinsic and intrinsic motivation. According to Kendra Cherry (2020), When we are driven to execute an action or engage in an activity because we want to earn a reward or avoid punishment, this referred to as extrinsic motivation. You will participate in activity not because you love it or find it fulfilling, but because you anticipate receiving something in return or avoiding something unpleasant. While for intrinsic motivation is when you contribute in an activity because it is pleasurable to you. You're doing something for the sake of doing it, rather than for the sake of receiving a benefit. The act of behaving is a reward in and of itself.

The results of research that examines the effect of emotional intelligence and motivation (extrinsic and intrinsic motivation) on employee performance at PT. Mutiaranusa Agro Sejahtera Medan. The results showed that emotional intelligence is positive and significant towards employee performance. Apart from emotional intelligence, extrinsic and intrinsic motivation is no less important than other variables in improving employee performance.

All the variables that are written in above are connected and will be use to PT Mutiaranusa Agro Sejahtera. The company was founded in 2009. The company is engaged in oil palm plantation and the oil palm mill.



Figure 1.1 Palm oil seed and oil palm tree

Source: (Astra Agro 2020)

Oil palm, the most important part to be processed from oil palm is the fruit. The flesh of the fruit produces crude palm oil which is processed into raw material for cooking oil. The advantages of vegetable oil from palm oil are low prices, low cholesterol, and high carotene content. Palm oil can also be processed into raw material for alcohol oil, soap, candles, and the cosmetics industry. The rest of the processing of palm fruit has the potential to become a mixture of animal feed and fermented into compost. Empty bunches can be used for oil palm mulch, as raw material for pulp and organic solvents, and oil palm shells can be used as fuel and activated charcoal. In plantations these trees are watered and managed using adequate fertilizers during their growing period. After 30 months this plant is considered mature and ready to be harvested, this harvesting process will be carried out every 7-10 days. Oil palm fruit is known as Fresh Fruit Bunches (FFB). To harvest FFB, harvesters must use dodos or a knife with a long pole to cut the fruit from the tree trunk. FFB that are ready to be harvested are very easy to identify by their bright red color and if 10-15 fruits

fall on the ground.



Figure 1.2 Oil palm mill

Source: (Faizal Amri, 2019)

The figure above is an oil palm mill, this is where the FFB will be processed. The harvested FFB is sent by transport trucks to the mill, for steam sterilization. This process is carried out so that the FFB can be released from the bunch, and to turn off the enzymes that can cause the quality of the FFB to decrease. The long fibers in the trunk can be used to make mattresses and car seat cushions. After being released from the bunch, the oil palm fruit is processed into two main products: Crude Palm Oil (CPO), which is extracted from the mesocarp or flesh of the fruit, and Palm Kernel Oil (PKO), which comes from the hard seed in the middle.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Produksi (juta ton)	19.2	19.4	21.8	23.5	26.5	30.0	31.5	32.5	32.0
Export (juta ton)	15.1	17.1	17.1	17.6	18.2	22.4	21.7	26.4	27.0
Export (dollar AS)	15.6	10.0	16.4	20.2	21.6	20.6	21.1	18.6	18.6
Luas Areal (juta ha)	n.a.	n.a.	n.a.	n.a.	9.6	10.5	10.7	11.4	11.8

Table 1.1 Indonesian Palm Oil Production and Export Statistics
Source: (Indonesian Palm Oil Producers Association (Gapki), 2017)

The table above show the production and export of palm oil in Indonesia from 2008 until 2016. Indeed, the majority of palm oil produced in Indonesia is exported. However, as Indonesia's population continues to grow (along with a rapidly growing middle class) and government support for the biodiesel program, domestic demand for palm oil in Indonesia also continues to grow. Rising domestic demand for palm oil could actually mean that shipments of crude palm oil from Indonesia will stagnate in the coming years if the Indonesian government remains committed to its moratorium on peatland conversion.

According to Hans Nicholas Jong (2020), Palm oil has experienced remarkable growth in both use and production as worldwide demand for edible oil continues to rise. Palm oil is the most widely used vegetable oil in the world, used in everything from chocolate to ice cream, lipstick to shampoo. The COVID-19 pandemic, on the other hand, has put a halt to the palm oil industry's expansion as countries impose different degrees of lockdown. However, the year 2020 has not been without its challenges for the business.

From a diplomatic feud to shady business behavior to corruption and deforestation, here are the top palm oil headlines from 2020 in Indonesia, the world's largest producer and exporter of the commodity. Since 2015, The Indonesian government has supported palm oil-based biodiesel manufacturers in order to keep the price of the fuel comparable with regular diesel at the pump. The subsidy is supported by taxes on palm oil exports, but a brief reduction in the price of the commodity early this year due to the COVID19 pandemic resulted in a shortfall, forcing the government to borrow \$195 million from the state budget to make up the difference. That number is only likely to rise as the government moves through with a plan to progressively phase out conventional diesel in favor of a B100 mix, which is made entirely of palm oil. A 30 percent mix, or B30, of biodiesel is currently being offered at petrol stations across Indonesia. According to new research from the University of Indonesia's Institute for Economic and Social Research (LPEM UI), if the government raises the blend to B50 (50:50) by 2025, the number of subsidies necessary would increase to \$60 billion. Activists are also concerned that the biodiesel program will result in more deforestation for oil palm plantations: the government estimates that it will need to establish 15 million hectares (37 million acres) of new plantations — an area equivalent to a fifth of Borneo — to meet domestic biodiesel demand.

Considering the location of this company is in the countryside, most of the workers in this company are also people from the countryside. These workers must have education not only from the intellectual side but from the

emotional side as well, because emotional intelligence plays an important role in this type of company. From the interview that the writer has done with the mill manager, he stated that when something goes wrong, there are several employee's first's reaction are to find someone or something else to blame. They might suggest that they had no other choice for what they did and that others simply don't understand their situation. And then when there are problems causes by the employees' error sometimes, they refuse to listen to what anyone else has to say. Even if the manager provides them with proof that they are wrong, they will argue that the facts are wrong.

With these phenomena that are going to affect company's performance, namely emotional intelligence and extrinsic and intrinsic motivation. Regarding emotional intelligence, the writers found several phenomena requires employees who are good at handling emotions well when dealing with people carefully reading situations and social networks interacting smoothly, using these skills to influence and lead, deliberate and resolve disputes, and to work together and work in teams. Apart from emotional intelligence, the writer also found constraints in the motivation divided into two types, which are extrinsic motivation and intrinsic motivation. Creating a motivation towards employee is critical since it has a major impact on employee performance. By developing management skills and strategies to adopt various motivational tools and apply them appropriately, strategically, and effectively, as this is important in determining worker participation, productivity, organizational effectiveness, and competitiveness, as well as an organization's survival. From the interview with

the mill manager, the writer also found that most of the employee are often late for work or take sick leave frequently. Then the managers need to speak up and give them new assignments to get them inspired again. This happened because he lacks of appearance of the leader in the company. That's why it developed unawareness/ lack of motivation among the employee in their job performance. Based on the background of the problem above, the writer conducted a study entitled **"The Effect of Emotional Intelligence and Motivation (Extrinsic and Intrinsic) on Employee Performance at PT. Mutiaranusa Agro Sejahtera 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, such as:

1. The data of this research is gathered from PT. Mutiaranusa Agro Sejahtera located in Jalan SMA Aek Kota Batu, Aek Kota Batu, Na IX-X, Kabupaten Labuhanbatu Utara, Sumatera Utara.
2. The respondents were only taken from employees of PT. PT. Mutiaranusa Agro Sejahtera located in Jalan SMA Aek Kota Batu, Aek Kota Batu, Na IX-X, Kabupaten Labuhanbatu Utara, Sumatera Utara.
3. The research only uses three (4) variables, which are Emotional intelligence as Variable X1 (independent

variable), Extrinsic Motivation as Variable X2 (independent variable), Intrinsic Motivation as Variable X3 (independent variable) and Employee Performance as Variable Y (dependent variable)

4. Questionnaires are limited only to 50 respondents who are employees of PT. Mutiaranusa Agro Sejahtera
5. Questionnaire respondents are limited to 18-60 years old

1.3. Problem Formulation

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

1. Does Emotional Intelligence partially influence employee performance at PT. Mutiaranusa Agro Sejahtera?
2. Does Extrinsic Motivation partially influence employee performance at PT. Mutiaranusa Agro Sejahtera
3. Does Intrinsic Motivation partially influence employee performance at PT. Mutiaranusa Agro Sejahtera
4. Do Emotional Intelligence, Extrinsic Motivation and Intrinsic Motivation have influence simultaneously on employee performance at PT. Mutiaranusa Agro Sejahtera?

1.4. Objective of the Research

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

follow:

1. To know about emotional intelligence partially influence employee performance at PT. Mutiaranusa Agro Sejahtera.
2. To determine Extrinsic Motivation partially influence employee performance at PT. Mutiaranusa Agro Sejahtera.
3. To determine Intrinsic Motivation partially influence employee performance at PT. Mutiaranusa Agro Sejahtera.
4. To analyze whether there is any influence on emotional intelligence and Motivation (Extrinsic and Intrinsic) on employee performance at PT. Mutiaranusa Agro Sejahtera.

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 emotional intelligence, motivation (extrinsic and intrinsic) 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 emotional intelligence, motivation (extrinsic and intrinsic) and 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 emotional intelligence, motivation (extrinsic and intrinsic) and employee performance.

C. For the researcher, this research can be used as a reference for similar topic

