

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The development of an increasingly modern era of globalization has had a huge impact on various aspects of life, especially in the food and beverage industry. With this intense competition, every business has its own strategy so that the company can continue to run and not lose out on the competition. In the food and beverage industry, we cannot separate products and services. Therefore, the success of a food and beverage industry is highly dependent on the performance of its employees.

Employees are an important part of a business, especially in the food and beverage industry. Employees engage in direct interaction with customers to provide timely and effective food and service. Employees must be ready to serve customers immediately, be friendly, and listen to complaints or input from each customer. Regardless of the place, design, atmosphere, menu, taste and price, the way employees provide service to customers will greatly determine the reputation of a company. Even though the food and drink and the location is convenient, if the service provided is not in line with customer expectations, the chances of the customer returning will be small.

Employee performance is very important in the food and beverage industry because if employees do not provide maximum performance, the company cannot run well. Maximum employee performance is formed because of the enthusiasm

and belief that they will receive and return something positive after doing a task. To improve employee performance, it is not only necessary to invest in high quality equipment/supplies, but also to invest in human resources that can work optimally. This is because, employees are considered to be able to provide outstanding performance so that customers feel comfortable and want to return to the company. With a large number of customers, of course, it will be able to improve the sales performance of the food and beverage industry. Employee performance improvement can be done in various ways, and every business has a way to improve the performance of its employees. Every business needs to learn what strategies to implement in their business to keep their employees performing well.

Kito Cafe Medan is a cafe known for its themed cafes and restaurants. This place is very busy starting in the afternoon. Since there are many cafes around their area, they need to make sure that they give the best performance to the customers. If employees don't perform well, customers will feel disappointed and move elsewhere. Sometimes when customers go to this cafe, employees don't want to do their best and take a long time to serve customers. To ensure employees can provide the best performance to customers, they need to implement a reward and motivation system. The writers obtained a report on the attendance of employees of the Kito Cafe Medan within three years (2019-2021), as shown in Table 1.1.

Table 1.1 Employee Attendance Recapitulation at Kito Cafe Medan Period 2019-2021

Attendance Criteria	2019 (January- December)	2020 (January- December)	2021 (January-July)
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Half-day	3	5	5
Absent	20	26	17
Permission	40	60	25
Sick	28	47	5
Paid leave	35	38	26
Number of Days Absent	126	176	78
Number of working days	355	355	204
Number of employees	68	68	68
Attendance Percentage	35.49%	49.58%	38.24%

Source : Kito Cafe Medan, 2021

Based on table 1.1 it is known that the employment attendance rate of employees in Kito café medan in 2019 was 35.49% while in 2019 it increased to 49.58% and in 2021 for six months from January to July by 38.24%. This shows that the increasing percentage of employee absences, the lower employee performance. Based on preliminary observations at kito cafe medan that various employee performance problems are thought to be due to problems with quantity, supervision and interpersonal impact. Some of these problems, among others, employees are not serious in doing work which is thought to be due to too much free work so that employees find it difficult to complete a number of tasks that have been given by the company. Another thing that can be found is that employees have not shown their willingness to do work due to lack of experience in working so that there are still employees who do not know the tasks that will be carried out at Kito Café Medan. And to start work, employees always don't have high confidence in work so that when they work, employees don't look enthusiastic in completing work.

Some ways to improve employee performance is to implement a system rewards and motivation. The application of a reward system in the food and beverage industry can be useful for improving employee performance. Every task has its

target. When companies give rewards to employees who have succeeded in achieving targets in their work, they will feel that their hard work is very helpful. Investing in employee rewards system can be beneficial because when employees feel appreciated, they will have a sense of achievement that will generate job satisfaction and higher productivity. Giving rewards are more likely to improve work efficiency and results of the organization, improve the employee experience, and inspire loyalty.

There are many ways to give rewards such as bonuses, promotions, free vacations, and more. Giving the reward system for employees who managed to maximize its work will inspire other employees. However, not all employees can accept the success of other employees positively. For this reason, the awarding of rewards must have a proper system. By having a system, employees will know what criteria are needed and what targets the company wants to achieve. It would be fair for any employee who wants his performance to be rewarded to do his best. Based on observations at Kito Cafe Medan, the writers get information about the reward system during 2019-2021.

Table 1.2. System Rewards Kito Cafe Medan During 2019-2021

Years	Total Employees	Salary	Incentives	Allowances		Facilities
				Health	Retirement	
2019 (January-December)	68	Available	Not available	Limited	Not available	Not available
2020 (January-December)	68	Available	Not available	Limited	Not available	Not available
2021 (January-July)	68	Available	Not available	Limited	Not Available	Not available

Source : Kito Cafe Medan, 2021

Based on the reward system data, it can be illustrated that Kito Cafe Medan never provides rewards such as no incentives or bonuses for employees because the incentives are adjusted to the company's circumstances, there is no pension fund

because Kito Café Medan never guarantees employee old age and Kito Café Medan never provide vehicle facilities. This is what makes employees not enthusiastic about work so that employee performance decreases. Although employees receive salaries from Kito Cafe Medan, the salary value received is not in accordance with the UMR set by the government. The benefits provided by Kito Cafe Medan are also limited, namely only health insurance provided to employees with good performance.

Motivation is an important aspect of employees that is considered to be able to contribute to business success. An employee may run a job that requires motivation to work well. It is the duty of the company's management to be able to motivate employees to work in accordance with the directions given. So that employees who work with great motivation will be enthusiastic in doing their work. This will get the job done quickly and effectively. Employees who perform without good motivation will do work slowly and take longer to complete.

Motivation is an encouragement, both from within and from outside humans to move and encourage their attitudes and behavior at work. Employee motivation can be influenced by factors of interest, salary received, need for security, interpersonal relationships and opportunities to work. People who work with motivation will try their best in doing their work and can be evaluated from the resulting performance. Having employees who work with good work motivation is the dream of every company. Vice versa, receiving rewards for work that has been done well and on time is the dream of every employee.

Based on preliminary observations at Kito Cafe Medan it can be said that

there is a decrease in employee motivation during work at Kito Cafe Medan which is because employees do not get rewards that are in accordance with the results of employee work so that this makes employees do not have the spirit to complete the work with high responsibility and often make mistakes in work. In addition to rewards, recognition factors from leaders can also increase motivation, but during work, employees never get appreciation or recognition from the leader such as bonuses or promotion increases so that employees do not have high confidence in carrying out their work. And from the work itself, there are still employees who do not like the way to work at Kito Cafe Medan so this decreases the efficiency of employee work in completing each job.

Based on the description of the phenomenon of rewards, motivation and employee' performance above, the author is interested in conducting research with the title **“The Effect of Rewards and Motivation on Employee Performance at Kito Cafe Medan”**.

1.2 Problem Limitation

The limitation of a problem is used to avoid the existence of deviations and widening of the subject matter so that the research is more focused and facilitates the discussion so that the research objectives will be achieved. So, due to limited time and ability to access more information from the cafe, the writer limits the variable that will be discussed such as, Rewards and Motivation as the independent variable (X), and Employee Performance as dependent variable (Y). According to Fahmi (2016, p.64), the indicators of rewards that are expected to improve

employee performance are Salary, Incentives, Allowance and Facility. Indicators of motivation, namely as follows remuneration, working conditions, work facilities, work performance, recognition from superiors, The work itself (Afandi, 2018, p.29). And Indicators in performance employees including quality, quantity, timeliness, cost effectiveness, need for supervision and interpersonal impact. The research was conducted in Kito Café Medan. The population and samples used are all employees in Kito Cafe Medan.

1.3 Problem Formulation

Based on the observation, the writer formulates the following questions for this research:

1. How are the rewards at Kito Cafe Medan?
2. How is the motivation at Kito Cafe Medan?
3. How is the employee performance at Kito Cafe Medan?
4. Do rewards and motivation has effect towards employee performance at Kito Cafe Medan?

1.4 Objective of the Research

The objective of this research is:

1. To know how is the motivation at Kito Cafe Medan.
2. To analyze the rewards at Kito Cafe Medan.
3. To explain the employee performance at Kito Cafe Medan.
4. To describe how rewards and motivation has effect towards employee

performance at Kito Cafe Medan

1.5 Benefit of The Research

Based on the research objectives to be achieved, this research is expected to have benefits in education both theoretical and practical. The benefits of this research are as follow:

1.5.1 Theoretical Benefit

1. The writer hopes that this study can be used for Kito Cafe's input on rewards, motivation system, and their effects on employee performance.
2. The writer hopes that this research can be a source of information for people who are interested in rewards, motivation systems and their impact on employee performance.

1.5.2 Practical Benefit

1. The writer hopes that this research can give a valuable contribution to improving employee performance.
2. For other parties as information and comparison to carrying out the same research on the same object in the future.