

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

Leaders and employees are important elements in the company because leaders and employees have an important role in running a company. Currently, business development is getting faster, and the level of competition is getting sharper, making companies must improve and develop performance in all fields. One area that must be improved by the company amid intense competition to survive is human resources. Human resources have an important role for the company because they have the talent, energy, and creativity that are needed to move the company (Putri, 2014).

Employees are human resources who are directly involved in carrying out company activities. Therefore, the company must pay maximum attention to employees such as providing quality knowledge and skills through training programs, as well as the level of employee welfare through training programs and other awards. In addition, the role of a leader is a supporting factor so that employees can work comfortably and are able to carry out the assigned tasks optimally. When leaders show a good attitude, build good relationships with employees, a positive company image will be formed in the eyes of employees. A positive Company Image in the eyes of the external public will be well formed if in the eyes of employees (internal public) it is formed properly. This is because employees will be compelled to give all the abilities needed by the company and will form a sense of respect for the task and a sense of responsibility to the company

and leaders will arise, and this can be referred to as an act of loyalty.

According to Pramudyo (2017), training is a learning process designed to change a person's performance in doing work. Training also provides quality knowledge, hones skills, changes behavior and helps a person to realize his abilities. Widodo (2015) stated that the purpose of job training is to improve productivity, quality, support human resource planning, improve member morale, provide indirect compensation, improve occupational health and safety, prevent the expiration of personnel capabilities and knowledge, improve the development of personnel capabilities and expertise (<https://www.kajianpustaka.com/>, retrieved on 2022 January 21).

According to Riadi (2020), reward is a form of appreciation or reward for returning services given to a person or group for having behaved well, doing an advantage or achievement, giving a contribution, or successfully carrying out the task given according to the target set (<https://www.kajianpustaka.com/>, retrieved on 2022, January 21). While according to Wirawan et al. (2018), Reward is an important element to motivate employees to contribute to pouring innovative ideas that are best for better business functions and improve the company's performance both financially and non-financially.

Employee productivity, employee morale, employee motivation, employee job satisfaction, and employee loyalty, one of which is directly influenced by the provision of Rewards. Atila (2021) states that rewarding is one of the ways in which companies communicate to employees that the company values employees as an important part of the company. (<https://www.jojonomic.com/>, retrieved on 2022,

January 21).

The creation of employees' feelings of happiness on work and the company can form a positive work environment. A comfortable, safe, and supportive work environment will keep employees enthusiastic and enthusiastic about work and this can positively affect employee performance. Employees with morale will tend to feel satisfied at work, on the other hand if employees are less enthusiastic about work due to an unsupportive work environment, then the enthusiasm for working employees will decrease so that employees cannot work optimally, and this has an impact on employee productivity.

The work environment consists of physical and psychological work environments. A physical work environment is a work environment that can be seen and felt by employees such as lighting, ventilation, cleanliness, size, and workspace. While the psychological work environment is a state related to the company's work relationship such as the relationship between employees, employees with superiors, and emotions felt by employees at work.

In achieving the company's goals efficiently and effectively, the company needs strong teamwork to complete the process. According to Rabbani (2021), teamwork is a collaboration between two or more people to share time, talents, and knowledge in carrying out tasks and efforts to achieve predetermined goals (<https://www.sosial79.com/>, retrieved on 2022, January 21). While Thomas and Johnson (2014: 164) stated that cooperation is the grouping that occurs among the living creatures known by everyone involved.

With teamwork, the company can improve the relationship to be closer,

knowing the abilities and skills possessed by each employee so that the company can help the development of employees. In addition, teamwork builds good cooperation between employees so that it can reduce or overcome gaps and conflicts that will or have occurred, and the company can indirectly build a solid and compact sense of kinship within the company.

A company's success in achieving optimal goals is determined by how much effort the company must constantly change and survive the competition. In the ongoing competition, the company can benefit if the production of goods or services meets expectations and satisfies customers. In this case, researchers conducted research on CV Patent Agri Sukses Medan which is a family business company established 52 years ago, in 1970 which is currently led by Mr. Hartono Salim as CEO of CV Patent Agri Sukses Medan.

From the description, it can be said that a good company image, training, rewards, cooperation, and working conditions can support employee satisfaction and loyalty and the success of CV Patent Agri Sukses Medan in achieving its goals. If these factors are applied or managed properly, it will help the company in marketing and promoting the products. Job satisfaction and loyalty from employees are a very important part of CV Patent Agri Sukses Medan which is a company engaged in distributor sections which distribute agricultural products such as rice, soybeans, green beans, corn, and flour for animal feed, etc. that are already well known in Medan.

In this case, one of the main competitor companies of CV Patent Agri Sukses Medan is CV 9bako. One of the reasons CV 9bako is said to be the main

competitor is because the company also engaged in distributor section and distributes agricultural products such as rice, flour, etc. that also has a quality that is not much different from Patent's, besides that the price is very competitive.

**Table 1.1 Comparison of CV Patent Agri Sukses Medan and CV 9bako Medan**

	<b>CV Patent Agri Sukses Medan</b>	<b>CV 9bako Medan</b>
Since	1970	2011
Production Type	Premium Rice, Medium Rice, Dry Corn, Soybeans, Green Beans, and Flour	Premium Rice, Salt, Crackers, Flour
Managing Director	Mr. Hartono Salim	Mr. Darwin Lie
Vision	Become one of the largest companies in Sumatra Island that produces and distributes agricultural products with high quality and affordable prices for people of Sumatra Island	Become the first company to distribute premium quality basic needs at non-premium prices to all corners of Indonesia
Mission	<ol style="list-style-type: none"> <li>1. Forming a community of employees to grow together and develop the quality of life, work environment, and work of employees</li> <li>2. To become a strong and growing company, and ready to face regional competition</li> <li>3. To be the most profitable company in the same industry in Sumatra Island</li> </ol>	<ol style="list-style-type: none"> <li>1. Educate MSME actors on how to manage basic needs business</li> <li>2. Consistently conduct training and mental development of all human resources to understand the intricacies of the basic needs industry</li> <li>3. Provide space for human resources who are mentally and financially ready to be part of company ownership</li> </ol>

Source: CV Patent Agri Sukses Medan (2021), CV 9bako in Medan (2021)

**Table 1.2 List Yearly of In and Out Employees of CV Patent Agri Sukses Medan**

<b>Year</b>	<b>Out</b>	<b>In</b>	<b>Total Employees</b>
2018	3 people	2 people	37 employees
2019	2 people	2 people	37 employees
2020	5 people	2 people	34 employees
2021	6 people	3 people	31 employees

Source: CV Patent Agri Sukses Medan (2021)

Based on the table 1.2 above, it can be seen that the employees of CV Patent Agri Sukses Medan in 2018 and 2019 amounted 37 employees, but in 2020, employees at CV Patent Agri Sukses Medan decreased to 34 employees, then in the

following year, the company experienced a decrease in employees by 3 people.

The data above shows that the decline in employee loyalty is not due to layoffs but instead due to the increasing number of leaving on personal initiatives. Because of this, it is important to conduct this research while considering the importance of improving employee loyalty. Therefore, from employees who remain in the company, namely as many as 31 employees who have loyalty will be studied for variables that have a significant influence in forming employee loyalty where these variables will be increased to further increase employee loyalty in CV Patent Agri Sukses Medan.

Employee loyalty to the work done is very important for the company. Adiwibowo (2012) stated that the company needs employees who have high loyalty, because with the high loyalty of employees, employees can work according to the standards provided by the company and can improve the quality of work.

Successfully achieving company goals is a very important thing for every company, requiring a well-planned approach. Researchers believe that the common problems faced by CV Patent Agri Sukses Medan involve problems of training and cooperation. Another problem is about working conditions which can have an impact on job satisfaction and employee loyalty. Companies need to find ways to manage the employees so employees can carry out the duties as well as possible in order to achieve CV Patent Agri Sukses Medan's goals. Therefore, the problems currently occurring in CV Patent Agri Sukses Medan deserve investigation.

Suwatno (2018) stated that the company's image is a public impression of the company based on public knowledge and experience and it can change because

everyone's knowledge and experience are personal. When Patents rice is mentioned, resellers and consumers in Medan will know and recognize this brand, because it creates a good company image, and this image helps to influence and increase customer and reseller satisfaction and loyalty (HRD CV Patent Agri Sukses Medan, 2022).

Ramya (2016) states that training is a process of increasing knowledge, and skills to do certain jobs. At CV Patent Agri Sukses Medan, the training program used is On the Job Training for all new employees from all departments. Employees will learn about their work by observing the behavior of other workers at work and senior employees will explain and give examples to new employees about what needs to be done.

In the Operational Department, senior employees will teach about how to view agricultural products because crops are inconsistent so employees need to know good, medium, and bad crops, teach warehouse report preparation techniques, how to coordinate with other relevant departments, namely the department sales and finance for purchasing inventory of products and products that arrive at the warehouse with what kind of product quality (whether good, moderate, or bad) so that the finance department can determine the appropriate purchase price.

In the HRD section, senior employees will teach about dealing with conflicts that occur between employees, overcoming problems that occur in the company such as dealing with problems with suppliers and customers, encouraging every employee, maintaining harmonious relations within the company, and compiling reports regarding the development of each employee. and prepare

proposals related to rewards that will be given to employees who have worked well for the company to the company leadership.

In the sales department, senior employees will teach about how to sell the company's products, how to deal with customer praise and complaints, and how to bring the company's relationship with customers closer so that it runs well.

In the finance department, senior employees will teach about preparing company income and expense reports, how to prepare bookkeeping (profit and loss, general ledger, accounts payable) and tax reporting, how to contact suppliers and customers in terms of overdue accounts payable. (HRD CV Patent Agri Sukses Medan, 2022).

Wirawan et al. (2018) stated that reward is an important element to motivate employees to contribute to pouring innovative ideas that are best for better business functions and improve the company's performance both financially and non-financially. Rewards are usually given by companies to employees as a sign of gratitude for all the hard work given by employees to achieve company goals. Every time there is an additional work and additional working hours, CV Patent Agri Sukses employees receive additional income for employees' hard work (HRD CV Agri Sukses Medan, 2022).

Hatta, Musnadi & Mahadani (2017) stated that teamwork in groups lead to improved efficiency and effectiveness, and these are very different from the work done separately. Teamwork is also an important factor in producing good employee job satisfaction. In CV Patent Agri Sukses Medan, there is an ethic of teamwork in ensuring that all incoming goods and goods that come out (orders of resellers and



customers) is correct (HRD CV Patent Agri Sukses Medan, 2022).

According to Indrasari (2017: 4), the work environment is an important factor in supporting the performance of an organization because indirectly a conducive work environment will trigger job passion, job satisfaction and support efforts to increase employee job satisfaction. CV Patent Agri Sukses Medan has a strategic location that provides support for a good atmosphere. The factory is set apart from the office where the employees work, creating a separation that encourages productivity. The company is well-equipped with good ventilation and comfortable working conditions, and employees are well-protected from the dangers of infection (HRD CV Patent Agri Sukses Medan, 2022).

According to Davis (2017: 117), job satisfaction is a feeling of support or unsupportive that employees experience at work. In CV Patent Agri Sukses Medan, job satisfaction can be seen from the morale of employees who work hard and feel satisfied in every job done (HRD CV Patent Agri Sukses Medan, 2022).

According to Siswanto (2012: 28), loyalty is an employee's commitment to the organization that is sometimes seen as an attitude. Jatmiko and Silvianita (2021) stated that a good and harmonious work environment between fellow employees and between superiors and subordinates makes employees loyal to the company. In CV Patent Agri Sukses Medan, every employee is still committed to continue working so that employees are less interested in looking for other jobs abroad (HRD CV Patent Agri Sukses Medan, 2022).

To support this research, a mini-pilot qualitative research was conducted to ensure that the flow of variables used for this research is valid. There are 3 questions

asked of 16 respondents working at CV Patent Agri Sukses Medan. According to Ismail (2017), a pilot study (PS) refers to a small research project that is conducted before the full research study is conducted. Pilot research allows the researcher to understand the research process to determine the final method for the final study.

**Table 1.3 Mini-Pilot Results**

Company Image	Training	Reward	Cooperation	Working Conditions	Others
2	3	3	4	3	1

Source: Prepared by Writer (2022)

Based on Table 1.3 above, 16 respondents had an unpleasant experience that made them resign or quit from their job at CV Patent Agri Sukses Medan. Respondents were asked three main questions about the reason for leaving, whether they were satisfied with their work at the company and the reason for their dissatisfaction, as set out in Appendix B. From 16 respondents, the answers to the reasons for dissatisfaction received 4 answers for cooperation, 2 answers for company image, while 3 answers for training, 3 for reward and other 3 answers about working conditions. However, there is another reason unrelated to the variables used in this study. As the pilot result is dominated by corporate image, training, rewards, collaboration and working conditions, it reinforces the rationale for further analyzing these variables in this research.

Based on the description above, the writer is interested in conducting research on Company Image, Training, Rewards, Cooperation, Working Conditions, Employee Satisfaction, and Employee Loyalty through writing a thesis entitled “The Effect of Company Image, Training, Reward, Cooperation, Working Conditions on Satisfaction and Loyalty of The Employee at CV Patent Agri Sukses Medan”.

## **1.2 Problem Limitation**

Based on the background of study described above, the writer needs to limit the problem with the aim that the discussion of the problem is not too broad.

This research will focus on:

1. Company Image, Training, Reward, Cooperation, Working Conditions on Satisfaction and Loyalty of the Employee.
2. Employee internal factors consist of personal data such as the set of population characteristics of respondent as male and female, aged 18-60 years, domiciled in the city of Medan, has 1 year of work experience.
3. Due to the limited number of employees, the subject of this study used were all employees from all departments who worked at CV Patent Agri Sukses Medan although the training carried out was relatively different.

## **1.3 Problem Formulation**

Based on the background of the study, the problems formulation is:

- a. Does Company Image have a significant effect on Employee Satisfaction at CV Patent Agri Sukses Medan?
- b. Does Training have a significant effect on Employee Satisfaction at CV Patent Agri Sukses Medan?
- c. Does Reward have a significant effect on Employee Satisfaction at CV Patent Agri Sukses Medan?
- d. Does Cooperation have a significant effect on Employee Satisfaction at CV Patent Agri Sukses Medan?

- e. Does Working Conditions have a significant effect on Employee Satisfaction at CV Patent Agri Sukses Medan?
- f. Does Job Satisfaction have a significant effect on Employee Loyalty at CV Patent Agri Sukses Medan?

#### **1.4 Objective of the Research**

Based on the formulation of the problem above, the objective of this study is:

- a. To determine the effect of company image on employee satisfaction at CV Patent Agri Sukses Medan
- b. To determine the impact of training on employee satisfaction at CV Patent Agri Sukses Medan
- c. To determine the impact of reward on employee satisfaction at CV Patent Agri Sukses Medan
- d. To determine the effect of cooperation on employee satisfaction at CV Patent Agri Sukses Medan
- e. To determine the effect of working conditions on employee satisfaction at CV Patent Agri Sukses Medan
- f. To determine the effect of employee satisfaction on employee loyalty at CV Patent Agri Sukses Medan

#### **1.5 Benefit of the Research**

##### **1.5.1 Theoretical Benefit**

The theoretical benefits derived from the results of this study can be used as additional information and as a reference for carrying out further research related

to company image, training, reward, cooperation, working conditions on employee satisfaction and employee loyalty.

### **1.5.2 Practical Benefit**

The results of this study are expected to be useful for:

- a. CV Agri Sukses Medan is expected to provide additional information and considerations in making decisions related to human resources and performance evaluation of employee satisfaction and loyalty, so that in the future the results of this research can help CV Patent Agri Sukses Medan, especially in the HRD Section to become a company that has employees with high levels of satisfaction and loyalty.
- b. It is expected that the writer will be able to increase the knowledge of human resources with the aim that it will be useful later in the business world by applying the knowledge of human resources acquired in college.
- c. For the Faculty of Management, Pelita Harapan University, Medan, the results of this study can be used as library material and add references for students and younger generations at the Faculty of Economics, Pelita Harapan University.