

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this current era of globalization, the world of business has advanced due to technological advancements, and new businesses are routinely being established day by day. Company competition is increasing, meaning that every company must improve things related to the company and be more responsive to survive and continue to develop. All elements of the organization must be improved, especially in human resources, where employees are becoming a competitive asset.

In an organization where humans are the only resource capable of moving other resources, human resources are one of the most important things. Maintaining high-quality human resources is an excellent step for a company to take. Nowadays, human resources are individuals who are capable of quickly mastering technology, adapting to changes, and responding to technological changes. As a result, the longer a person works for a company, the more valuable it becomes.

In a company, employee work loyalty is highly important because low employee loyalty is detrimental to the company. Employee loyalty, on the other hand, will influence or have a positive impact on the company's goals. Hence, employee effectiveness and efficiency are improved as a result of employee loyalty, which has an impact on total employee engagement with the company.

In general, employee loyalty is all about a psychological commitment to the organization's success that develops as

result of increased satisfaction, with the more satisfied an employee is regarding his or her working environment, the more likely he or she will develop a sense of commitment towards the organization as a whole. According to Tomic et al. (2018) stated that employees that are loyal have the capability to provide higher-quality goods and services, which has an impact on the organization's success and profitability.

The behavioural component of loyalty is based on employee attitudes toward the organization. An employee who has developed a bond with the company is more likely to show loyalty and contribute toward the company's overall goals, such as increased productivity, discipline, honesty, strong relationships with co-workers, and a high-quality customer service orientation. On the other hand, employees could only perform successfully if they are satisfied with their jobs.

Job satisfaction is the most important aspect in increasing and maintaining an organization's overall yield and job loyalty through efficient service and improved performance. Job satisfaction may also be defined as an employee's freedom of thinking and emotions of fulfilment, which leads to a rise in the employee's confidence in carrying out their responsibilities (Dhamija et al., 2019). Job satisfaction can be defined not just in related to the physical aspects of the job, but also in considerations of the non-physical aspects of the job, such as the physical aspects of performing work tasks, the working environment, and co-worker interaction and relationships.

On the other hand, employees feel dissatisfied with their jobs, which are influenced by elements such as motivation and hygiene factors. Administrative

policies, supervision, salary, interpersonal relations, and working conditions are examples of hygiene factors that prevent job satisfaction and lead to job dissatisfaction.

Apart from job satisfaction, organizational culture as an intangible asset has an impact on the company's long-term success in accomplishing its goals. Essentially, the culture of the organization has an impact on the organization's success. The organizational culture that empowers employees to complete their tasks is considered as powerful (Gierszewski & Pieczywok, 2020). An organization needs to create a work culture that liberates rather than restricts employees. For example, an organization encourages employees opinion and being creative. By implementing such culture system, it will make them feel that they are part of the organization. As a result, employee performance will increase since they will be more willing to accept responsibility.

Every organization has a unique culture, and these cultures vary from one another. Then, it is preferable to hire someone who can fit within their culture. However, the world is changing rapidly. It could affect employees' expectation and satisfaction accordingly. Employees being loyal to the organization because of their workplace culture. Employees that are less engaged and committed are also disloyal to the company. Employees who are satisfied with the company's culture are more motivated to complete their jobs and achieve their own goals. It will lead to loyalty development among such employees.

Those two variables have a relationship that affects employees loyalty, an employee will not stay loyal to an organization if they are dissatisfied with their job

and the organization, so the more employees who are suited with the organizational culture, the more satisfied they are with their jobs, which leads to increased employees loyalty.

So, this variable will be connected with PT Nusantara Door Industry. PT Nusantara Door Industry is a company engaged in the manufacturing of wood products such as doors, frames, flooring, and moulding. The company as a family-owned business which was founded in 2012 by Mr. Wihanta Ongosari, the first generation owner. Currently, the company is handled by the second generation family, with his son working as the general manager to run this business.

Furthermore, the company has been running for 9 years with some family members as shareholders in the business located at Jalan Medan - Sampali Road No.436, North Sumatra and this company has distributed its products in several cities throughout Indonesia as well as in countries such as Australia, Netherlands, Malaysia and Thailand.

Moreover, the author has conducted an interview with some of the employees at PT Nusantara Door Industry, Medan by visiting the company in the middle of August 2021. The first employee, namely Gasper as the general manager mentioned that due to inefficiencies in the production process, most of the production team were unable to finish the tasks on time and that they failed to reach the company standard, resulting in a client complaint. However, in logistics frequently make mistakes when delivering items (the number of goods or models sent does not match the amount on the invoice).

The second employee namely Cahyani stated that some of the collectors and marketing department are required to visit eight or more stores a day, but the employee did not meet the visiting requirements. When employees already work overtime, they get a bonus that is not comparable to their overtime work, and they do not get recognition for the effort that they have put into doing their job well. Recently, the author requested the attendance data of 2020 -2021 from Hendy as the Human Resource Department, which are as follows :

Table 1. 1 Data of Employee's Attendance in 2020

Month	Sick	Permission	Lateness
January – April	4	10	8
May – August	7	5	6
September - December	5	7	10
Total	16	22	24

Source : PT Nusantara Door Industry, Medan (2020)

Table 1. 2 Data of Employee's Attendance in 2021

Month	Sick	Permission	Lateness
January – April	6	13	9
May – August	7	14	13
September - December	7	12	10
Total	20	39	32

Source : PT Nusantara Door Industry, Medan (2021)

The table above is the attendance data in PT. Nusantara Door Industry, Medan from 2020 to 2021, it can be seen that there is an increase in the absence of employees show a low work culture such as being late for work and not complying with work procedures in force in this company.

In addition, the number of employees have worked in PT. Nusantara Door Industry, Medan for how many years shown by the data provided below :

Table 1. 3 Data of Employee's Tenure in 2022

Length of Working	Number of Employees
< 1 Year	12
1 – 3 Years	21
> 3 Years	13
Total Employees	46

Source : PT Nusantara Door Industry, Medan (2022)

It can be seen from the table above that only 28% of employees who worked for more than 3 year. This demonstrates the company inability to achieve high level of employee loyalty. However, the reason of these fluctuation is varying. It may be carried out by employees who are unable to understand or accept the organizational culture that the company has established.

Therefore, they will feel stressed and less motivated at work as a result. They believe they are unable to bring their creativity or ideas to the organization. In the end, it will affect their performance and cause them to resign from the organization. The different perceptions of culture could lead to these situations.

On the other hand, it is more likely that employees who have a positive perception of the organization will stay at the workplace and remain loyal to it. It is because job satisfaction and organizational culture play an important role in shaping the thought process and behaviour of the employees regarding the company. Therefore, the company must take action in handling this matter.

From the description that has been there before, the writer want to conduct a research with the tittle **“The Effect of Job Satisfaction and Organizational Culture on Employees Loyalty at PT Nusantara Door Industry, Medan”**

1.2 Problem Limitation

Due to some limitation of time and knowledge the writer has, this report is being limited to conduct the research by setting up several limitations, which are :

- a. The data of this research is gathered from the members of a sample that are chosen based on the research objectives which are employees that have worked for more than a year in any department of the company.
- b. Due to COVID-19 in mind and the Indonesian government began to implement restrictions on community activities (*PPKM*) to prevent the spread of COVID-19, data used in this research is collected from online questionnaires via Google Forms.
- c. The scope of research will focus on three (3) variables, which are Job Satisfaction (X1) and Organizational Culture (X2) as the two independent variables along with Employees Loyalty (Y) as the dependent variable.

1.3 Problem Formulation

Based on the background study and the explanation that has been described above. Here are the formulation issues that were discovered during the research are as follows :

- a. Does Job Satisfaction have an effect on Employees Loyalty at PT Nusantara Door Industry, Medan?
- b. Does Organizational Culture have an effect on Employees Loyalty at PT Nusantara Door Industry, Medan?

- c. Do Job Satisfaction and Organizational Culture simultaneously have an effect on Employees Loyalty at PT Nusantara Door Industry, Medan?

1.4 Objective of the Research

Understanding the important role of Job Satisfaction and Organizational Culture impacts the Employees Loyalty at PT Nusantara Door Industry is the main goal of this research. Upon completion of this research, it is hoped that it will result in better understanding of how Job Satisfaction and Organizational Culture impacts the Employees Loyalty. Hence, the purposes of this study are as follows :

- a. To find out the effect of Job Satisfaction on Employees Loyalty at PT Nusantara Door Industry, Medan.
- b. To find out the effect of Organizational Culture on Employees Loyalty at PT Nusantara Door Industry, Medan.
- c. To find out the effect of Job Satisfaction and Organizational Culture simultaneously on Employees Loyalty at PT Nusantara Door Industry, Medan.

1.5 Benefit of the Research

Theoretical Benefit and Practical Benefit are the two (2) forms of benefits in this research.

1.5.1 Theoretical Benefit

By doing this research, the author will be able to have a better understanding of the theories of job satisfaction and organizational culture on employees loyalty.

In terms of the educational context, the completion of this study is to provide future references and become the basis to represent a theory of additional learning regarding the effect of job satisfaction and organizational culture towards employees loyalty. As a result, it can strengthen future educational discussions on similar issues and also enrich the writers and entrepreneurs understanding to better understand and obtain insights into how the variables will interact before putting them into practice.

1.5.2 Practical Benefit

This research will benefit the practical side as well as the theoretical side. The writer expects that this research will deliver three (3) benefits, which are as follows:

- a. For the writer, this research would improve experience and knowledge in the relationship between job satisfaction and organizational culture towards employee loyalty in real-life setting.
- b. For the company, by integrating job satisfaction and organizational culture throughout the system, this research would serve as a foundation for improving the company's performance.
- c. For other researches, this research would be able to stand as their references when they conduct a research on similar topic.