

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

The high level of competition between companies makes the company become more responsive in order to be able to survive and continue to grow, so we need good human resources in the company for better results. Every Company that is founded always has a goal to achieve, in general, the desired goal of the company is to get the maximum profit so that it can help achieve another goal. The much-needed effort is human labor, where human is the main borer of the company to achieving company goals.

Human resources have the most significant part in the performance and efficiency of an organization or company, then they should be handled appropriately. In other words, the success of the company influenced by one important factor is human resources. Understanding the importance of the existing human resources in this era global, one of the efforts must be achieved by the company to improve the quality of human resources. By Increasing the quality of Human resources, employees are expected to improve their performance. Employees as one of the company's assets must be considered properly so that good performance is obtained.

Employee Performance has received great concern in an organization or company because it promises to be able to realize predetermined company goals where employee performance is the last result of employees' efforts over a certain

period of time. Employee Performance is a consequence of the efforts of an employee in quality and quantity in carrying out their duties in accordance with the obligations entrusted to them. (Mangkunegara, 2017:9). People's performance can also be used to evaluate how good someone doing their work. If employee performance is good, the company will also grow well. A good company is an organization that seeks to improve the capabilities the skills of its human resources because is a key factor in increasing employee performance. Besides that, a comfortable workplace, provides motivation, creates good work discipline and appropriate compensation for each employee, and will be able to increase employee morale at work.

High employee performance is expected by the company. The more employees who have high performance, the overall productivity of the company will increase so that the company will be able to survive in global competition. But the amount of salary and allowance provided by the company with responsibility amount for the work done and the level of attendance in the workplace caused by lack of employee discipline and ineffective use of time in carrying out work, these all indicate the low level of employee performance in a company, employee performance is at a low level. As a result, an executive company must closely monitor the behavior of each employee and their activity in the workplace.

Many employees ignore work discipline, preventing the organization from achieving its goals. According to (Dolet Unaradja, 2018), Discipline is an effort to prevent violation of the conditions that have been mutually agreed upon in the

implementation activities so that there is no progression of punishment for a person or group. Discipline can't be forced in general if the rules are set based on verbal instruction which may change depending on the circumstances. Employees will have more rules about what is allowed and what is not allowed if have clear written rules, allowing them to avoid behavior that violates current rules. Employee performance can be improved apart from work discipline by offering compensation, with the supply of money causing employees to become more enthusiastic to work as much as possible. One way to increase employee performance is to provide direct compensation according to the worker's contribution to the company.

Compensation is one of the most important aspects of an advancing company, and it refers to everything that workers received as a supply of their employee service at the company they work. Compensation refers to all benefits that employees received as a reward for their contribution to the company. Compensation can be differentiated into two, namely direct compensation (financial) and indirect compensation (non-financial). Salary, bonuses, allowance, and facilities are direct compensation, while training, development, and work environment are indirect compensation. When employees are properly compensated, they are more satisfied and motivated to fulfill company goals. As a result, each organization must be able to decide on the most appropriate compensation in order to be more effective and efficient to support the achievement of the organization's goals. If employees are satisfied with the salaries they received and are competitive it will be easier to recruit new

employees, defend them, and motivate them to improve their performance, resulting in increased productivity and ability to provide the best service.

Compensation is given in the form of money to all employees of PT. Murni Sadar, Tbk. The compensation provided if the employee received their value, which is referred to as terms of KPI (Key Performance Indicator). KPI is a valuable decision-making tool because the organization enables to assess employee success and analysis of organizational performance in achieving strategic vision goals. An employee's KPI is based on assessment, namely created by a company based on employee's performance such as how they work and whether they complete their work on time. KPI included how well people perform their work, how they speak etiquette or politeness, and how disciplined they are. Assessment of disciplinary problems such as being late, absent, and sick, so, attendance is the most influenced by KPI. As a result, the compensation provided by PT. Murni Sadar, Tbk Back Office is far from employee expectations. Employees feel that company salaries are not consistent with the work that employees do for the company.

PT. Murni Sadar, Tbk as the object research is a national private company engaged in the health sector through one of main company at Medan, Murni Teguh Memorial Hospital, which is located at Jl. Jawa No. 2, Gg. Buntu, North Sumatra and as the head office. PT. Murni Sadar, Tbk was founded by dr. dr. Mutiara, MHA, MKT and her other colleagues. Currently PT. Murni Sadar Tbk already have five other hospitals branches namely Murni Teguh Susana Wesley, Rsia Rosiva, Murni Teguh Sudirman Jakarta, Murni Teguh Ciledug, dan Murni

Teguh Tuhan Bali. Murni Teguh Memorial Hospital as one of hospitals that has achieved five-star hospital achievements or what is known as regulatory discipline provided by the company surely must be in accordance with the achievement achieved. In particular, employee performance is very important to improve service quality and is needed to achieve company goals and patient satisfaction. Employee performance at PT. Murni Sadar, Tbk Back office has decreased over the last five years where employees who often arrive late for work hours or during their breaks are late to return to work. It shows their superior and human resources development must offer consequences for violations committed by employees by issuing warning letters and conveying warnings directly to strengthen work discipline Pt. Murni Sadar, Tbk. Employees do not realize that their work performance and company or organization success are both influenced by discipline.

**Table 1. 1 Lateness of PT. Murni Sadar, Tbk Back office**

YEAR	NUMBER OF EMPLOYEE	ABSENT		AGE
		MALE	FEMALE	
2017	22	4	5	20-22
2018	29	9	14	23-25
2019	37	13	16	28-31
2020	46	18	19	32-35
2021	58	21	24	36-39

Source: PT. Murni Sadar, Tbk Back Office Medan, 2022

**Table 1. 2 Decrease Compensation of PT. Murni Sadar, Tbk Back Office**

<b>YEAR</b>	<b>NUMBER OF EMPLOYEE</b>	<b>KPI (KEY PERFORMANCE)</b>	<b>COMPENSATION</b>
2017	22	86 (A-)	15%
2018	29	83 (B+)	13%
2019	37	77 (B)	11%
2020	46	75 (B-)	10%
2021	58	70 (C+)	8%

Source: PT. Murni Sadar, Tbk Back Office Medan, 2022

**Table 1. 3 Decrease Employee Performance of PT. Murni Sadar, Tbk BackOffice**

<b>YEAR</b>	<b>NUMBER OF EMPLOYEE</b>	<b>DECREASE EMPLOYEE PERFORMANCE/ YEAR</b>
2017	22	12%
2018	29	16%
2019	37	21%
2020	46	25%
2021	58	32%

Source: PT. Murni Sadar, Tbk Back Office Medan, 2022

**Table 1. 4 Assessment Data Key Performance Indicator of PT. Murni Sadar, Tbk Back Office**

KPI ASSESSMENT	
ASPECT ATTITUDE	1. (Quality Orientation) The ability to carry out tasks in a timely manner, according to even exceeding predetermined quality standards
	2. (Problem Solving Skills )Ability to analyze problems, identify sources of problems and formulate relevant alternative solutions
	3. ( Planning Skills )Ability to prepare work plans in a systematic and well-scheduled manner, allocate resources based on planning and monitoring to ensure work plans are running effectively
	4. ( Teamwork )Ability to coordinate and communicate with various related parties, formulate common goals and share tasks to achieve predetermined work targets, and respect each other's opinions and input to improve team performance.
	5. ( Self Learning Capacity )The ability to carry out an active learning process, both independently and in groups, shows sufficient interest to continue to develop self-skills, and is proactive in sharing knowledge among fellow employees.
ASPECT DISCIPLINE	1. Unexplained Sick
	2. Lateness
	3. Absent
	4. Go Home Early Without Permission
	5. Permission more than 3 times

From the data above in table 1.3, it can be seen that the low performance of employees for the last five years is due to a lack of employee discipline in the company due to delays where in 2017 there were 4 men and 5 women who were late with an average age 20-22 years and each year the delay is increasing until 2021, 21 men and 24 women were late with average age 36-39 years. The data above can be seen that based on the annual KPI assessment; the lower the company's compensation is due to the lower level of discipline of employees. It is also known above that there is a decrease in employee performance every year from 2017 there has been a 12% decrease until 2021 there is 33%, Due to the delay and decrease of each employee, there is a shortage of annual direct compensation received by the employees. Usually, the number of KPI point is determined by adding a special point, such as the number of attitude points and the number of discipline points. This is what employee

receives depending on their total point. For example, if an employee's late one time, one point will be deducted from the total. This is what makes employees complain because their financial compensation given is small.

With this, considering the increase in employee performance will bring progress for the company to survive in an unstable competitive business environment.

From the table 1.4 we can see that, the company evaluate the employee uses the assessment of Key Performance Indicator which is have 2 aspects, ethic and discipline. Therefore, improving employee performance is one of the most difficult management tasks because it is very important to the existing organization and its ability to achieve its goals. This can have a bad impact due to loss of morale from employees and decreased employee performance. Based on the problems above, the authors want to conduct research entitled **“The Influence of Compensation & Work Discipline on Employee Performance at PT. Murni Sadar, Tbk Back Office”**.



## 1.2 Problem Limitation

The author will collect the data of this research by conducting questionnaires to employees. Due to time constraints, this research is limited to "Compensation" and "Work discipline" will be the independent variable (X) while "Employee Performance" will be the dependent variable (Y). Furthermore, the object of research will take place at the PT. Murni Sadar, Tbk Back Office, which is located on Jl. Jawa No.2, Gg. Buntu, District. Medan Tim., Medan City, North Sumatra, 20231.

## 1.3 Problem Formulation

Based on the background of the problem, the author wants to conduct research at the PT. Murni Sadar, Tbk Back Office with the following problems:

1. How is compensation at PT. Murni Sadar, Tbk Back Office?
2. How is work discipline at PT. Murni Sadar, Tbk Back Office?
3. How is employee performance at PT. Murni Sadar, Tbk Back Office?
4. Does compensation influence employee performance at PT. Murni Sadar, Tbk Back Office?
5. Does work discipline influence employee performance at PT. Murni Sadar, Tbk Back Office?
6. Do Compensation and work discipline influence employee performance at PT. Murni Sadar, Tbk Back Office?

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

Based on the background of the research above and the formulation of the problem, the research objectives are as follows:

1. To analyze the Compensation at PT. Murni Sadar, Tbk Back Office
2. To analyze Work Discipline at PT. Murni Sadar, Tbk Back Office
3. To analyze the Employee Performance at PT. Murni Sadar, Tbk Back Office
4. To analyze the compensation will influence employee performance at PT. Murni Sadar, Tbk Back Office
5. To analyze the work discipline will influence employee performance at PT. Murni Sadar, Tbk Back Office
6. To analyze the Compensation and Work Discipline will influence employee performance at PT. Murni Sadar, Tbk Back Office

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

There are several advantages of this research that can be obtained by the company to improve the performance of its employees

##### **1.5.1 Theoretical Benefits**

The benefit is this research can improve understanding of the influence of Compensation and work discipline on Employee Performance. Furthermore, the author expects that this research will have an influence and be valuable for future research on this topic.

### 1.5.2 Practical Benefits

a. For the writer

This research can give writers and readers will get more information regarding compensation, work discipline, and employee performance.

b. For PT. Murni Sadar, Tbk Back Office

This research is to support the company as a process to improve the provision of compensation and work discipline as well as better employee performance at PT. Murni Sadar, Tbk Back office.

c. For the research

This research will serve as information and a way to learn more, particularly about the influenced of compensation and work discipline on employee performance.

