

CHAPTER I

INTRODUCTION

Background of the Study

In this advance time rapidly developing economy causing even more modern and tougher economy competing, organization reach to the point of optimal performance rate. Employee commitment are the brick and mortar for business to provide greater performance. Organizations struggle to induce commitment on their employees, Different and various way to are implemented to improve employee's commitment. Every successful company, employees always have a strong motivation to strive and work at maximum, proves that commitment are in fact fundamental of great organization. Every employee has an ambition, granting the chance of to improve and developing their ability are the key to break the ceiling of highest performance.

In the modern age of economy, company have the access to every effective method, creating an even ground to every organization, unless every individual is committed to one goal. Hence, it is critical to acknowledge the very concept of commitment and the results. Committed employees have powerful relationship with their workers and that creates better organizational performance. If that good emotional impact to their career, the present of healthy relationship and serve the organization better in the long run.

To be able to gain strategic advantage, also to keep rival/competitors in the gap on performance, majority of employees need to be able to provide highest

productivity and performance, one of important part to achieve this is to give suitable task to the right individual it will be the factor for performance.

To ensuring employees are committed to the organizational goal and the best output by working to the highest potential to process the organization task gaining better results ahead of their competitor are difficult and tricky task for a manager. Various evidence to show that in this competitive labor market, maintaining an active and productive worker/employee is a difficult task, same as scrying and snatching valuable skilled employee from competitors. An individual with a plan for career growth requires need to be shown clear path on their opportunity for progression in the organization outside of economic benefits they will be supported in the process.

Employee commitment plays a big part on taking further step in improving organization. Different ways are shown to measure and size organizational performance, company employee turnover, return on equity, etc. Employee commitment can be enhanced through their involvement in assessment construction and providing them with the chance for better insight on the whole procedure of the organization performance measurement (Tolera, 2018).

Toko Bina Makmur, it is located on road. Surakarta No. 34 Pasar Baru, Medan - North Sumatera is a distribution company that selling power transmission belts, conveyor belts, pulleys, couplings, battery Bosch, Yokohama and automotive spare-parts. Based on the observation and interview result with

the owner of Toko Bina Makmur, the five years performance are shown within the table:

Table 1.1 Five Years Performance of Toko Bina Makmur (2017-2021)

| Year | Units Sold | % Change |
|------|------------|----------|
| 2017 | 2386 | |
| 2018 | 2145 | -10.1% |
| 2019 | 2063 | -3.82% |
| 2020 | 1862 | -9.74% |
| 2021 | 1929 | +3.64% |

Source: Prepared by the Writer (2021)



Figure 1.1 Five Years Performance at Toko Bina Makmur (2017-2021)

Source: Prepared by the Writer (2021)

From the graph above shows the gradually decreasing from the year (2017 -2020) this cause by the lack of performance within Toko Bina Makmur, most of the workers need to be on time at 08:30 AM to handle the front desk handles customer but because the shop are within district with very busy road traffic, it will be difficult to arrive on time if the employees can't manage time efficiently, while a customer that will be face by front worker are not the highest purchaser by

unit compared with the likes of the sales of factory purchaser, the amount of customer that visits the shop are high, if the workers are late then the potential customer will find another shop with the same product, same condition happens with the marketing department, weak enthusiasm can be identified by the behavior, sometimes unable to find new customers, forgot to order the belting, being a yes-man in most of the meeting, etc., poor performance are result by the deteriorating employees commitment, in the year (2021) it can be seen growth by (+3.64%) but the increase of the performance are stagnant compare to the decrease from the past 4 years, while it is not really a good news it can be seen that the employees give changes in 2021 the growth in performance could be result by of not cutting any employees in 2020, since covid-19 can be the worries of every business and workers alike. But it is still unknown to the cause of increasing performance but there is a chance to identify what create the small increase in the performance.

The writer intends to understand the influence on employees commitment on Toko Bina Makmur's organizational performance, the title in this research titled **“The Effect of Employees Commitment on Organizational Performance at Toko Bina Makmur”**.

Problem Limitation

From observation and interview results with the owner/founder of Toko Bina Makmur, the 5 years performance from 2017-2021. This data shows that the number of units sold is decreasing from 2017-2020. This decreasing of sold can

be caused by so many factors, such as: customer satisfaction, service quality, price, product quality, employee' s commitment, etc. The writer suspects that there is a problem with the employees' commitment in the company. This research only analyzes to one factor that may cause the decreasing, that is employee's commitment.

For the research implement greater focus, and accessible in process and taking data, the radius of research is limited. There are so many companies within Medan. The study is limited to a specialize of a distribution company in Medan. That company is Toko Bina Makmur which located on Jl. Surakarta No. 34 Pasar Baru, Medan City - North Sumatera. Dependent variable in this research is organizational performance, while the independent variable is employee's commitment.

Some indicators that be used to measure employee's commitment in this research are: affective commitment, continuance commitment, normative commitment (Nugroho, 2018). Some indicators that be used to measure organizational performance in this research of 4 types of perspectives are the financial, customer, internal business process, and the learning and growth, the learning and growth perspective (Gawankar *et al*, 2018).

Problem Formulation

Understanding of the statement above, question on problem formulation as follows:

- a. How committed are employees of Toko Bina Makmur, Medan?

- b. How well does organizational performance of Toko Bina Makmur, Medan?
- c. Does employee commitment affect the organizational performance of Toko Bina Makmur, Medan?

Objective of the Research

The objective of this research are as follows:

- a. To provide description the commitment of employees at Toko Bina Makmur, Medan.
- b. To assess the organizational performance at Toko Bina Makmur, Medan.
- c. To learn the effect of employee commitment on organizational performance at Toko Bina Makmur, in the city of Medan.

Benefit of the Research

Theoretical Benefit

Theoretically, the answers of this research are indeed to be useful to support the theory in about management and marketing, especially about the influence of employee commitment towards organizational performance in a company.

Practical Benefit

The practical benefits from this research are as follows:

- a. For the writer

This research can provide an overview and knowledge about management and marketing, especially about the influence of employee commitment towards organizational performance in a company.

b. For the Organization

This research is expected to be used as a suggestion to give more attention about the factors of employee commitment in order to increase the organizational performance.

c. For the future researchers

The results of this research are expected to be used as a source of references who concerned in conducting related research in the future.

