

CHAPTER I

INTRODUCTION

1.1 Background of Study

Everyone in business knows that technological advancements are causing every organization to grow rapidly these days. Competition among companies has intensified in the modern era as they strive to achieve the best potential results. To compete, they will undoubtedly need a weapon that will assist them in achieving the organization's objectives, whether it is their products or services. However, in this instance, we will place a greater emphasis on the internal factors that contribute and how it might help the organization maximize its performance.

Organizations now place a considerably higher value on their employees in order to survive and gain a competitive advantage in today's quickly changing market. Employees need a work environment that encourages and supports them in anything they do as long as it is beneficial to the company. The working environment has a significant impact on employee performance and productivity. Employees' productivity will improve when they are physically and emotionally motivated to work.

A crucial component in deciding whether or not the business will be successful in achieving the goals that have been established is the degree to which its human resources and personnel are able to successfully complete the obligations that have been assigned to them (Tan et al., 2020). As a consequence

of this, every business needs to think about ways to enhance its human resources in order to boost both the growth of the company and the productivity of its workers (Caliando et al., 2020). To remain competitive in the face of rapid environmental shifts, one of the most essential elements for every organization to address is how to increase productivity (Dieppe, 2021). One of the most crucial criteria in determining whether or not an organization will continue to exist is its productivity (Kaydos, 2020). According to Siagian Muhammad and Roni (2020), employee productivity is defined as the ability to generate the highest quality output while simultaneously deriving the greatest possible benefit from the resources and infrastructure that are available to one in order to maximize one's potential for profit. Productivity is defined as a rise in work results and skills that can generate goods or services, where this is directly influenced by the level of expertise possessed by employees (Dini, et al 2020).

Incentive schemes according to Mangkunegara (2016), incentives are a kind of motivation expressed in the form of money based on good performance and a sense of appreciation for employee performance and contributions to the firm. An incentive mechanism is a strategy for boosting morale and productivity through positive reinforcement (Irene Samari, 2019). An incentive is a tool that can be utilized as a supporter of the fair principle when it comes to delivering remuneration (Efendi et al., 2020). According to Irene Samari (2019), incentive schemes have partially effect on employee productivity.

According to Moulana, et al. (2017), a work environment is considered to be acceptable or appropriate if the people who work there are able to carry out their activities in the most effective manner possible while also being healthy, safe, and

enjoying their time in the environment. It has been discovered that factors such as a safe and healthy working environment can have an effect on a company's overall productivity. In addition, there is the point of view that delightful working conditions might include both the location of one's job and the availability of supplementary amenities that assist the completion of work more quickly. If the working environment is poor, it can make it difficult to build a work system that is both successful and efficient. According to Setyowati, Lambey, and Rumokoy (2018) working environment have no significant influence on productivity but have positive effect on productivity.

Motivation is a psychological process that develops as a result of both internal and external circumstances. If employee can perform their professional duties to the utmost extent through work motivation, enabling the firm to meet its targets and goals. According to Liana (2020) in order to accomplish a goal, a person must be motivated, which requires using all of their resources. Leaders may direct and motivate their staff to perform better by understanding their motivation. According to Saleh and Utomo (2018) that motivation have positive and significant influence on productivity.

The steel distributor, PT Bilah Baja Makmur Abadi is headquartered in Medan, North Sumatra, and distributes steel to a variety of industries. The main office of the company may be found at Jalan Cakrawati No. 5 in the city of Medan in North Sumatra, Indonesia. The company is actively engaged in the business of distributing steel products. Working for the company at the present time has piqued the author's curiosity, as she definitely knows something about the company that may be fascinating to know, and is one of the key reasons why the

author is interested in conducting research at this organization. In comparison to the first year of the company's existence, it is clear that the corporation has grown at an astounding rate. They currently have about ninety employees working in the office under their employ. It is a challenging issue to handle since having more employees results in a higher degree of stress, which is compounded by the fact that this is a massive firm. The author of this study was curious in the incentive programs, working environment, and motivation practices at PT Bilah Baja Makmur Abadi since they have significant number of employees. The following is the information that is accessible regarding the productivity of employees:

Productivity is very necessary for employees to be able to work optimally during predetermined working hours. Therefore, incentive data per month is given to see the level of incentives given by the company to its employees for the month of work per the year of 2023.

Table 1.1 Incentive Data For The Month at PT Bilah Baja Makmur Abadi

No.	Department	Total Employees	Year of 2023			
			Month			
			January	February	March	April
1	Supervisor	1	0	0	0	0
2	Marketing	22	3	5	3	4
3	Stock	5	4	2	2	3
4	Accounting	8	4	3	5	4
5	Purchasing	8	0	1	2	1
6	Auditor	6	1	2	1	1
7	IT	8	3	4	3	2
8	Billing	4	0	4	4	4
9	Finance/Cashier	4	0	1	2	2
10	Account Receivables	5	0	0	0	0
11	Tax Officer	7	5	5	5	5
12	General Affair	4	2	2	2	2
13	Operator	3	0	2	2	2
14	Customer Service	2	2	2	2	2
15	Office Boy	12	5	5	5	5
16	Cleaning Service	10	0	0	0	0

17	Collector	6	3	2	2	2
18	Security	10	1	0	0	0
Total		125	33	40	40	39

Source: PT Bilah Baja Makmur Abadi, Medan (2023)

According to the data, the incentives given by PT Bilah Baja Makmur Abadi is a sufficient level of incentives. Judging from the range of distribution of incentives according to work targets per employee, some employees do not receive proper incentives due to their lack of work productivity. Moreover, new employees get additional bonuses as they signed their renewal contract. With employees needing to increase work productivity again in order to achieve the target and get the proper incentives from company.

After conducting observations and interviews with several employees from PT. Bilah Baja Makmur Abadi, it was found that the working environment and the employee's motivation at the company were not good. If employee productivity is low, employees are unable to reach targets and this affects company profits. Hereby, the writer given the phenomenon of employee motivation at PT. Bilah Baja Makmur Abadi according to the interview between employees.

Table 1.2 Employee Motivation Phenomenon at PT BilahBaja Makmur Abadi

No.	Statement	Percentage
1.	Employees were rewarded for their growth	34%
2.	Employees unable to finish their work by given working hours	35%
3.	The quality of employee work is not in accordance with the company's standard operating procedures (SOP)	31%

Source: PT Bilah Baja Makmur Abadi, Medan (2023)

Table 1.2 above shows that employees were not adequately rewarded for their development and accomplishments, and they claimed that this did impair their motivation in completing their job. They simply came to execute their duties

and did only the absolute minimum required of them rather than giving their best effort. Even so, employees who complete work often do not comply with company standards in the quality of work targets so employees cannot meet the set time targets and are not in accordance with company SOPs.

The 34% data percentage was collected from the general affairs department, where of 125 employees, around 41 – 43 employees believe that they are underpaid, and that the incentive they have been given does not adequately reflect the amount of effort that they have put into their job. Because of this, they are not pleased with the positions that they now have, and they believe that they deserve better. The 35% data percentage general affairs data, from the absence of data of the company. 125 employees recorded that 42 – 44 employees always work overtime, the checkout time should be 17 P.M, but the data show the checkout time around 18 P.M to 19 P.M. The 31% data percentage comes from the supervisor's data when an annual review of each department is collected, where from 125 employees, their work is not completed the by company's work targets which are around 10 to 12 employees per department.

Some employees feel motivated to come to work on time so that their work can be completed on time, which is an example of good motivation from the company to employees. in the results of interviews with several employees, they felt motivated enough to come on time because of additional incentives for diligent employees, but several employees admitted that they did not get additional incentives even though they had arrived on time.

With this data, it is concluded that the employee productivity of the employee at PT. Bilah Baja Makmur Abadi needs to increase. Employees are often unable to finish their job effectively within the given time working hours, which are from 8 A.M to 17 P.M, (9 hours) from Monday to Friday, and Saturday from 8 A.M to 14 P.M which the working hours 6 hours. Too many working hours can make employees burn out and unable to finish their job effectively. From the observation and interview with the HRD manager, the writer found that employees tend to have miscommunication and bad relationships with each other, which affect the job conditions and productivity where the company is dependent on teamwork.

In PT. Bilah Baja Makmur Abadi, the employee productivity is based on the interview that conducted with the HRD, where the monthly target of each department in some month delayed, especially when high season in the end of the year which the month of December. This indicates that the management of the company still cannot figure out what to do in order to increase the productivity. The management tried to change the work style of each department to meet comfort in working so that targets can be achieved efficiently, by setting the working days from Monday to Saturday.

The distribution of work to departments that is not in line with the job desk and also where employees are not treated well, both in terms of work and relations between employees, from the results of interviews with several employees, it is said that the working environment of the company is not pleasant enough for them to do their job effectively. Employees often feel discriminated against the facilities provided by the company to employees, which are

differentiated for some employees. An example of a facility provided by the company is an elevator lift, because a 13-floor company for several floors is not granted access permission to use an elevator so employees have to use the stairs to access certain floors.

Productivity is an important factor that companies need to pay attention to in ensuring their human resources produce extraordinary work. Many factors affect employee productivity, so here the authors focus on incentives, a good work environment, and motivation to increase employee productivity. The title of this study is “**Examining the Role of Incentive Schemes, Working Environment, and Motivation on Employee Productivity at PT Bilah Baja Makmur Abadi**” to be discussed about above phenomena.

1.2 Problem Limitation

This study focuses on the phenomena and its influence on the two variables, with employee productivity serving as the dependent variable, with indicators of capability, improving the results achieved, work spirit, self-development, quality, and efficiency. For the independent variables there are three, incentive schemes with performance, duration of work, years of experience, needs, justice and fairness, and evaluation of employee positions as the indicators, working environment with relationship among employees, noise level of working environment, work regulations, lighting, air circulation, and security as the indicators, and motivation with intrinsic (recognition of contribution, challenging work, possibility of career advancement and personal growth, and compatibility with work) and extrinsic factor (adequate compensation, comfortable and flexible

working environment, effective supervision, clear working procedures, and job security) as the indicators. This study will be undertaken by employees of PT Bilah Baja Makmur Abadi, who will serve as correspondents are all the employees who work at PT Bilah Baja Makmur Abadi except warehouse employees. The author does data analysis using SPSS application and multiple linear regression analysis tools.

1.3 Problem Formulation

Based on the background study explanation, the problem formulation of this study is as follows:

1. Does the incentive scheme partially influence employee productivity at PT Bilah Baja Makmur Abadi, Medan?
2. Does the working environment partially influence employee productivity at PT Bilah Baja Makmur Abadi, Medan?
3. Does the motivation partially influence employee productivity at PT Bilah Baja Makmur Abadi, Medan?
4. Do incentive schemes, working environment, and motivation simultaneously influence employee productivity at PT Bilah Baja Makmur Abadi, Medan?

1.4 Objective of Research

1. To determine whether incentive schemes partially influence the employee productivity at PT Bilah Baja Makmur Abadi, Medan.

2. To determine whether working environment partially influences the employee productivity at PT Bilah Baja Makmur Abadi, Medan.
3. To determine whether motivation partially influences the employee productivity at PT Bilah Baja Makmur Abadi, Medan.
4. To determine whether incentive schemes, working environment, and motivation simultaneously influence the employee productivity at PT Bilah Baja Makmur Abadi, Medan.

1.5 Benefit of Research

There are two benefits, which can be obtained from this research paper.

The benefits are stated as follows:

1.5.1 Theoretical Benefit

To provide the opportunity to apply theoretical knowledge regarding the effect of Incentive Schemes, Working Environment, and Motivation toward Employee Productivity.

1.5.2 Practical Benefit

1. For the writer, to improve knowledge about the effect of Incentive Schemes, Working Environment, and Motivation towards Employee Productivity.
2. For the company, as an input to evaluate the Incentive Schemes, Working Environment, and Motivation to enhance Employee Productivity.
3. For the next researchers, this research can be used as a reference and source of information when conducting research related to Incentive

Schemes, Working Environment, and Motivation, as well as Employee Productivity.

