

# **CHAPTER I**

## **INTRODUCTION**

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

With the unpredictable business environment and intense business competition, the companies are required to reach certain standards by improving their performance to align with such great demands; otherwise, a lot of problems will surface, including running the risk to close down the business. This performance relates to the firm or individual level which sees the human resource becoming the most determining factor to achieve the organizations' objectives. In fact, an abundance of resources such as infrastructures or physical facilities are made meaningless without the support of qualified human resources that directly disrupt the continuity of the business operations (Iskandar, 2014).

Employee performance can reflect the performance of a company / institution. So employee's performance is closely linked to the performance of the company. There is a close relationship between the individual performances with the performance of the institution. In other words, an employee's performance is good then most likely the company's performance is also good (Veithzal Rivai, 2005). Performance of employees is affected by numerous factors at work place. It is defined as the way to perform the job tasks according to the prescribed job description. Performance is the art to complete the task within the defined boundaries. There are lots of factors that affect the performance of employees (Rashid, 2013).

Manager is one of the factors that can affect the performance of employees. It is one of a manager's most important responsibilities. If Managers are reluctant to provide candid feedback and have honest discussions with employees, it will damage the relationships with the very individual they count on to get work done. Employees will feel that their managers are unskilled at discussing their performance and ineffective at coaching them on how to develop their skills. Many complain that performance management systems are cumbersome, bureaucratic and

too time consuming for the value added. This leads both managers and employees to treat performance management as a necessary evil of work life that should be minimized rather than an important process that achieves key individual and organizational outcomes (Elaine D.Pulakos, 2004).

Job stress is another issue. Effective work performance is the production of valid results in a work organization. It is when employees produce the expected results that may lead to productivity in the work organization (Clark, 2000). Poor performance due to stress is an issue to managers and employees in a work organization. It is of concern to senior managers because it is a measure of how effective the organisation is led. It is an emotive issue, which according to Strebler (2004) can be quite personal, since productivity and the working climate are affected. Poor performance can be exhibited by way of: failure to perform the duties of the position or to perform them to the standard required; non-compliance with workplace policies, rules or procedures; unacceptable behaviour in the workplace; and disruptive or negative behaviour that impacts on co-workers (Pauline, 2015).

Job design plays a vital role in the performance maximization. A well designed job brings involvement and satisfaction to the employees and they perform well by employing all their energies in the work. Job design remains a valued issue among the researchers for its importance and effectiveness. A well designed job, according to psychological perception and attitude of employees, motivate workers towards task performance, and such employees become highly productive and loyal to the organization (Memoona, 2013).

Human Resource is the most important resource compared with other resources like machine, material, land, etc. In the organizational context, the effectiveness of human resource depends on designing the job according to human capability and characteristics. Job design is the most important function of Human Resource Management. It indicates that, designing of contents, methods, functions of a job. The performance of an employee is that, how well an employee performs his or her task duties and responsibilities. Employees' performance is also crucial.

Because the achievement of goals and objectives of the organization is assessed by performance of its resources, employees' performance should be assessed and maintained periodically (Hussain Ali, 2010).

Today's organizations are operating in a very dynamic and highly competitive environment. To remain relevant in the market, they have to be able to respond quickly to ever changing customer demands. Reward management is one of the ways used by organizations for attracting and retaining suitable employees as well as facilitating them to improve their performance. Reward management is one of the strategies used by Human Resource Managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. As a result of these pressures, HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. Reward systems are very crucial for an organization (Maund, 2001). Rewards include systems, programs and practices that influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2003). The only way employees will fulfil the employers dream is to share in their dream (Kotelnikov, 2010). Reward systems are the mechanisms that make this happen. They can include awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or a simple thank you.

When employees are rewarded, they get work done. Employers get more of the behaviour they reward, not what they assume they will automatically get from employees. Thus when employees surpass their target or exceed their standard they should be rewarded immediately as a way of motivating them. By doing this, employees directly connect the reward with behaviour and higher performance they have attained. Effective reward systems should always focus on the positive reinforcement. Positive reinforcement encourages the desired behaviour in organizations. This encourages employees to take positive actions leading to

rewards. Reward programs should be properly designed in the organization so as to reinforce positive behaviour which leads to performance (Torrington & Hall, 2006).

The main theme of the study revolves around those variables. Those variables are manager's attitude, job stress, job design, rewards. These variables are described in different studies that affect the performance of employees at work place. This study will find out the impact of manager's attitude, job stress, job design, and rewards on the employees' performance at PT. SAF Indonusa.

PT. SAF Indonusa is one of the Lesaffre Group subsidiary located in Sidoarjo, Indonesia. Whose core business is "Yeast & Baking Solution" (Yeast, Improver, Premix, Baking Center Service). PT. SAF Indonusa has a vision that is consistently committed to developing and providing high-quality products that are focused on customer expectations and satisfaction. To achieve this vision, employee work performance is really important.

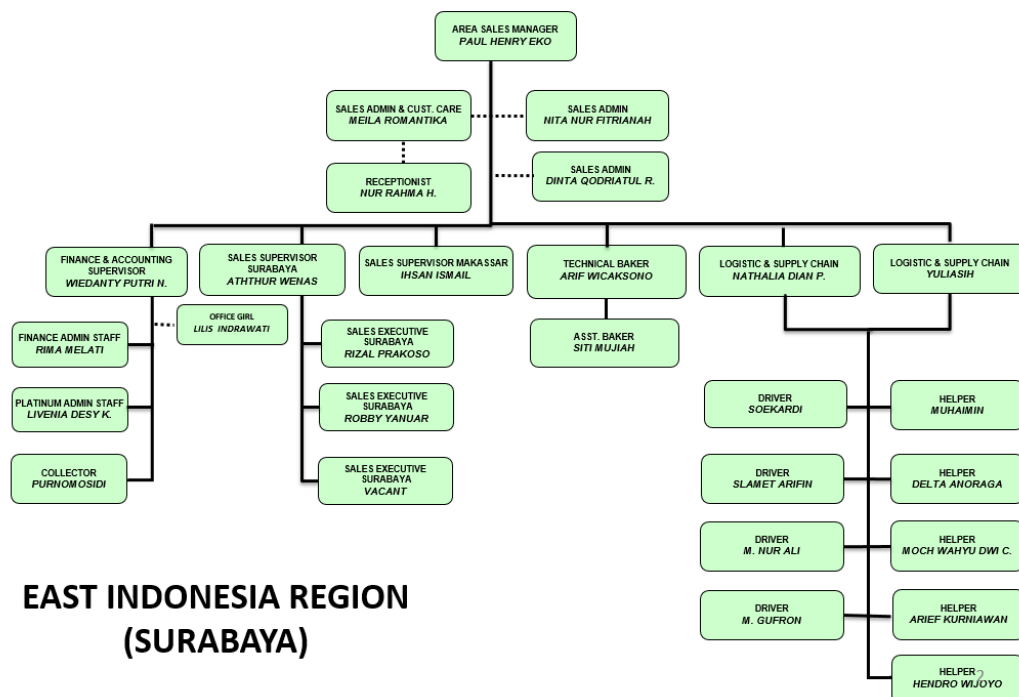


Figure 1  
Organizational Structure  
Note. PT. SAF Indonusa (2016)

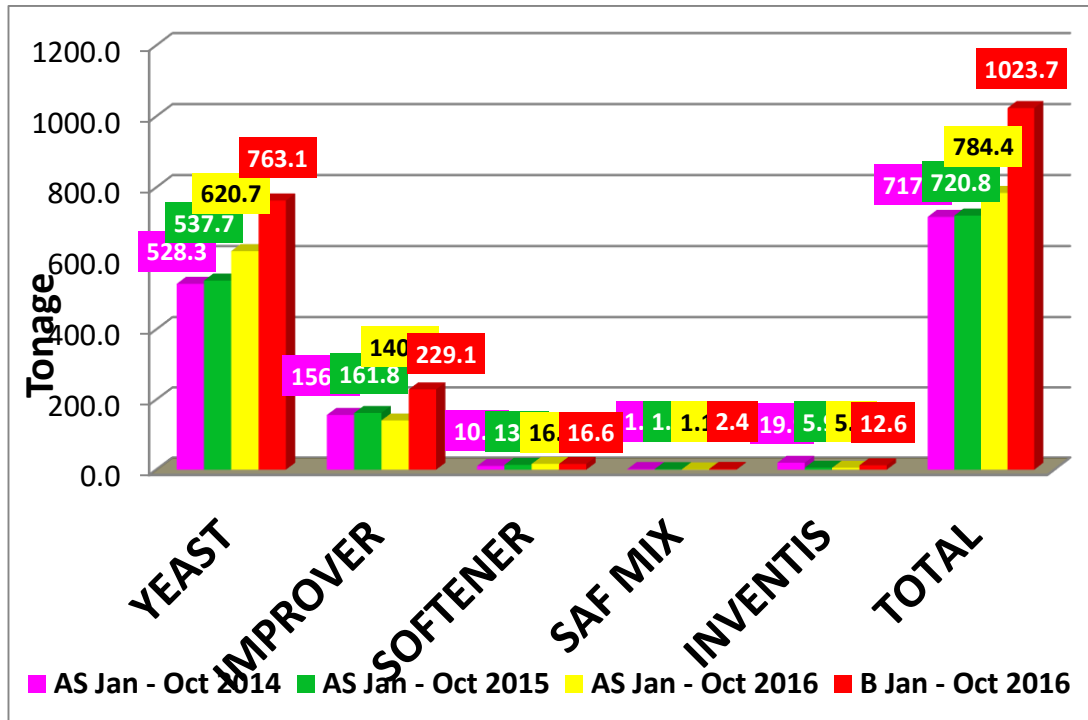


Figure 2  
Company Production as January 2014 – October 2016  
Note. PT. SAF Indonusa (2016)

From the graph above can be seen that production increased from year to year. In order to keep their good performance, it is important for PT. SAF Indonusa to keep their performance. Based on preliminary interview conducted, Manager's Attitude, Job Stress, Job Design, and Rewards are factors that appear the most. Hereby, this research entitled: **“Analysis of Factors affecting Employees Performance at PT. SAF Indonusa”**

## 1.2 Research Problems

1. Is there a significant effect of manager's attitude on employee performance at PT. SAF Indonusa?
2. Is there a significant effect of job stress on employee performance at PT. SAF Indonusa?
3. Is there a significant effect of job design on employee performance at PT. SAF Indonusa?
4. Is there a significant effect of reward on employee performance at PT. SAF Indonusa?

### **1.3 Research Objectives**

1. To determine the effect of manager's attitude on employee performance at PT. SAF Indonusa.
2. To determine the effect of job stress on employee performance at PT. SAF Indonusa.
3. To determine the effect of job design on employee performance at PT. SAF Indonusa.
4. To determine the effect of reward on employee performance at PT. SAF Indonusa.

### **1.4 Research Contributions**

#### **1.4.1 Theoretical Advantage**

This study made its contribution as a reference in Human Resources Management, by identifying the significant of factors that affect employee performance. This study is also reference for further studies related or similar to the field of study.

#### **1.4.2 Empirical Advantage**

##### **1.4.2.1 For Company**

This result of this study can be used for PT. SAF Indonusa regarding characteristic of employee and how to improve their work performance.

##### **1.4.2.2 For the Researcher**

This study deepens the researcher's knowledge about the factors that affect the work performance of employee. It gives the researcher a much broader awareness of the employee performance in a workplace.

### **1.5 Research Limitations**

This study was conducted in order to find out factors affecting employee performance. This research used manager's attitude, job stress, job design, and reward as the independent variable. The researcher is limited in the terms of location because the research will be done at PT. SAF Indonusa Sidoarjo, Indonesia.

## **1.6 Research Outlines**

Research outline explain the systematic writing of this study. The outline is divided into three chapters as follow:

### **Chapter 1**

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specific the research objectives explored in greater detail to contribute to understand the research problems.

### **Chapter II**

This chapter summarizes the major studies and finding that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to research problem, an explanation of why it is relevant, and how the modelling efforts address the hypothesis to be tested.

### **Chapter III**

This chapter explain the detailed technical and specific activities which include the research design, sampling plan instrumentation, social tools and treatment of data.

### **Chapter IV**

This chapter organizes the logical presentation of all findings in the research questions, and focus on how these key finding relate back to the theory and prior researches presented in the beginning of the study.

### **Chapter V**

This chapter consist of conclusions, implications, and recommendations to advance the contributions of the study and overcome the existing limitations, methodological or substantive contributions that may be necessary to overcome the limitation of existing empirical facts.