

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Multinational company is a company that runs internationally and is usually based in developed country. This type of company generally manages and runs its factories in two or more countries. It takes part in direct investment at the host country factory in order to protect its ownership. This company probably obtains almost a quarter of its revenues out of the home country. In most cases, multinational companies create a high-paying jobs and advanced-technology goods for countries that are unable to achieve these things on their own.

Multinational advocates believe that there are many advantages that a company can obtain by operating internationally. Maximizing the capital and reducing the production cost are examples of advantages for this multinational company. By reducing the production cost but still produce goods with the same quality, this multinational company can market its product with a lower price which in turn will increase the customer purchasing power all around the world. Besides, company can also choose to plant its business in countries with lower tax rate to increase its profit gain.

As a developing country, Indonesia attracts many multinational companies to operate here and also people coming from overseas to look

for job opportunities in it. Besides, Indonesia is also known to be one of the countries with the greatest cultural diversity in the world. This makes the people living in this country have to deal with another cultures, not only in their daily lives but also in the workplace. Different from the local cultural diversity, these foreigners, which most can be found in multinational companies, have different nationalities and may even be completely different in their ways of thinking. Thus, it might take more efforts to adapt and work with these foreigners in one environment.

Working in an environment with people coming from many different backgrounds may not be easy because the employees need to be aware of their surrounding and try to adapt in order to get the most out of this diversity. The inability of adapting with these existing differences may be affecting how employees perform their task. Moreover, managers also need to be aware that the success of interacting and cooperating with this diverse background is more important for the employee than just placing them in one working environment. With the expanding tendency of diversity in the workforce today, companies should develop their point of view and use inventive strategies to get benefit of this diversity. Companies need to realize that the variety of highly skilled and extremely innovative employees can be great asset for the companies which should be considered as business resource.

Aside from the fact that it may be more difficult working with people whose cultural background are totally different from the one existed, it does not mean that workforce diversity is a bad thing. It has been

identified that workforce diversity helps companies to add values in their strategic capabilities in the existing competition. This diversity will bring positive benefits if it is properly managed. However, bad management on this workforce diversity will lead to negative results (Akpoviroro & Akinbola, 2018).

According to Weiss (2015), workforce diversity brings variety of people together in one workplace. This workplace consists of people coming from different background, characteristics and experiences. These are the key characteristics that create workforce diversity include: race, ethnicity, gender, religion, age, ability and sexual orientation. This workforce diversity will probably help company to grow and to be more competitive even though it also brings its own issues and challenges.

In his study, Kyalo (2015) stated that diversity in the workplace will certainly bring up conflicts between the employees. Many differences due to this diversity such as perceptions, ideas, behaviors, etc. are believed to be the factors that generate the conflict. However, Kyalo (2015) perceived conflict as something that is not always negative because if it is handled properly, this conflict will help employees to improve. On the other hand, if this conflict is ignored and not handled properly, it will damage employee performance and organizational performance in the long run.

PT Musim Mas is a company headquartered in Singapore and operates globally across the spectrum of the palm oil business. As a private company, PT Musim Mas employs 37,000 people of various nationalities and backgrounds. Their products are marketed to more than 80 countries

around the world and they have the commitment to be the best partner for multinational companies. PT Musim Mas aims to help the customers by providing efficient logistics solutions and quality products. They are present in strategic locations throughout the world to provide the best service to meet the needs of their customers. This company operates in several industries such as body care and household needs, foods, ranch, pharmacy, lubricant, etc.

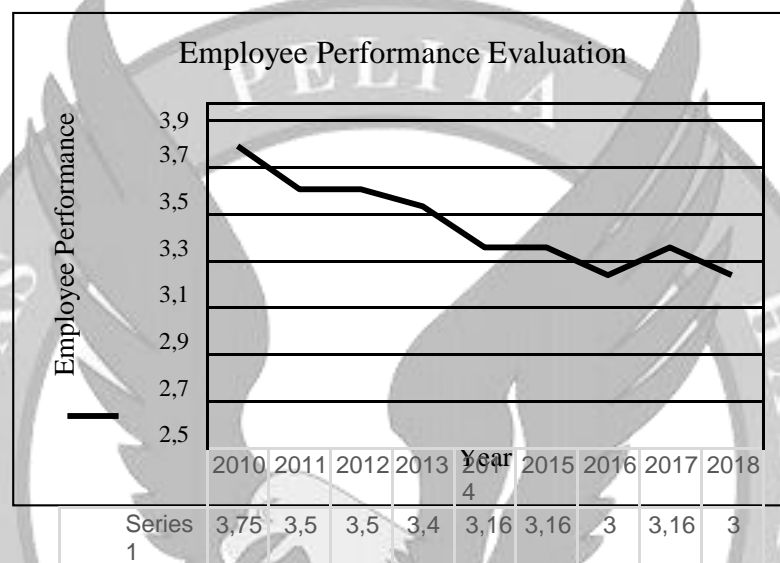


Figure 2.1 Employee Performance Evaluation

Source: Prepared by Writer (2020)

The research object, PT Musim Mas, Medan is a multinational enterprises which employs people coming from different background and nationality with the majority of the foreign employees come from Singapore and Malaysia. The fact that this company is a multinational enterprises means that there is a high chance that workforce diversity exist in this company and it might give either positive or negative influence on the employees' performance.

In the figure above, it can be seen that the employees' performance at PT Musim Mas, Medan is fluctuating starting from 2010-2018 but it

tends to decrease overall. The employees' performance are measured by several criteria such as innovation and involvement, ability to work without supervision and the will to do extra work, work according to the job description, coming to work on time and tendency to be absent. This condition where the employees' performance decreases might be influenced by the increase of workforce diversity in the working environment because in the data provided by the company, it can be seen that the increasing number of employees in a particular department resulting in a decreasing average number of their performance.

Realizing that diversity in the working environment is related to how employees perform in their work, this research will focus on the study about the influence of workforce diversity on employee performance aiming to identify potential solutions that the company or manager can implement to improve the employee performance. Therefore, the title of this research will be **“The Influence of Workforce Diversity on Employees' Performance at PT Musim Mas, Medan”**.

1.2. Problem Limitation

In order to complete, optimize, and deepen the research found in the writing of this paper, variable limitation is needed. Therefore, this paper limits its research into workforce diversity as independent variable and employee performance as dependent variable. It is conducted at PT Musim Mas, Medan, located in KM 7.8, Jl. KL Yos Sudarso, Tj. Mulia, Kec. Medan Deli, Kota Medan, Sumatera Utara. The indicators of workforce diversity are gender diversity, age diversity, ethnic diversity, educational

background and nationality (Tamunomiebi & Dienye, 2019). As for employees' performance, the indicators are quality, timeliness, cost-effectiveness, need for supervision and the interpersonal impact (Ayundasari et al., 2017). This research will not include the Manager and the upper management level employee in the company. Both the Manager and the upper management level employees will not be selected as part of the research as there are some difficulties in reaching them. Moreover, due to time constraints and data availability provided by the company, this research will only be conducted on 3 departments from the company which are Compliance Department, Compliance Internal Audit and Corporate SHEQ D&I. This 3 departments are located in one building and consisted of foreigners working as part of the team.

1.3. Problem Formulation

Based on the background of the study, the problems identified are as follows:

1. How diversified is the workforce environment of PT Musim Mas, Medan?
2. How well do the employees of PT Musim Mas, Medan perform?
3. Does workforce diversity at PT Musim Mas, Medan influence the employees' job performance?

1.4. Objectives of the Study

Based on the problems identified, the objectives of study are as follows:

1. To investigate how diversified is the workforce environment of PT Musim Mas, Medan
2. To find out how well do the employees of PT Musim Mas, Medan perform
3. To ascertain the extent to which workforce diversity influence employees' job performance at PT Musim Mas, Medan

1.5. Benefit of the Research

This research is expected to provide benefits theoretically and practically.

1.5.1. Theoretical Benefit

This research is hoped to strengthen existing theories of workforce diversity as well as its usefulness in managing human resources and the result can be used as a foundation to develop new theories.

1.5.2. Practical Benefit

1. This research can be used as an input to help maintain or improve workers' performance at PT Musim Mas, Medan by using and applying effective solution.
2. The result of this research can be applied to other companies in the similar industry or environment and will function as an additional reference to be used for better understanding of the knowledge.