

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In business, management plays an essential role, managing all the process so the business can run smoothly, especially in today's business field, there are many ways in order to make the business still in the running and still can compete with competitors, the economy has been growing rapidly nowadays, the company must continuously improve their self in order to keep their business still in the running.

Also, to achieve the company's goal, there are several ways that a company needs to go through. A great financial report is good for the company, but to determine the success of its workers' performance affects the company's success.

Human resource is the one who has essential roles and factor in achieving company's objectives and goals because even the company with huge capital and effective management strategies will be meaningless without human resources because they will not be able to achieve their goals without the help of its workers. Therefore, every company needs to know to achieve their goals, and they need qualified and motivated employees working together with them.

In general, people who work have a diverse background with their own personal reason. That reason could be of the need for money, to fulfill their responsibility, to follow their passion and calling, and other different reasons, even though every people come with their own reasons to work, but can be denied that

one of the main factors and reasons is because they are paid for what they do, not only that most of the people are also triggered to work harder if there are some others benefits that company provided to their employee, this shows that to make them work harder for the company, the company itself need to motivate them with several treats and ways that they can provide, that could motivate their employee to be more productive and perform better, it can be done through training, seminar or can be given reasonable compensation to their employee.

Different from salary and wages, compensation has a different definition, compensation has direct and indirect payments that are given by the company to their employees based on their regulation company and also employee performance, an employee with good work performance will have a chance to receive such compensation or rewards based on the company's regulations. However, for employees who not fulfill the company standard or not show a good work performance, there might be a possibility that they will not receive any compensation from the company, compensation not only be given in the form of money, it can be beneficial, or even facilities from the company, company who provide such compensation can also motivate their employee to work harder as well as improving their performance, compensation is related to employees performance, because more the company treat their employees well, and give reward to every their employee achievement, the more encourage their employees to work harder to help the company to achieve their goals, however, if employees feel that company not giving proper attention to their employees, employees will tend has flat performance or even decreased because of the less motivated.

Employee performance is an essential thing in a company's efforts to achieve company's goals. Moreover, one of the best methods to boost employee's performance capacity is by providing proper compensation to help boost their performance. If the compensation program is felt to be fair and competitive by employees, the company will be more comfortable to attract potential employees. Retain it and motivate employees to improve their performance further so that productivity increases and the company can produce products and services at competitive prices. so the company is not only superior in competition but also able to maintain its survival, even able to increase profitability and develop its business, therefore the company needs to set proper compensation to appreciate each one of its employees.

The object for this research is CV. Karya Bersama Located in Jalan Ngumban Surbakti No. 21 Medan, North Sumatera, this family business, based on construction service business permit issued by the government, this company engaged in construction and focused on the field of work in architectural work and civil work. The company experienced is more than ten years. Since this company focused on the service industry.

The company are focused on government project, which their main client are the from government, in this era when the government has a program in acceleration of infrastructure development, in order to win the project (or usually they called "tender") so they must improve the employee performance, because nowadays the government apply strict rules to the limitation of the time in a project, so the company who sell their service like CV. Karya Bersama need to improve

their employee performance in order to be qualify enough to take the project from the government.

Especially in this era in Indonesia its self, the government nowadays focused on accelerating infrastructure development, that is means the business who engaged in construction are forced to be fast and on time when they entrusted to work on government projects.

The following table is the annual projects undertaken by CV. Karya Bersama in Medan:

Table 1.1 Projects undertaken by CV. Karya Bersama, Medan

Year	Total Project	Project does not finish on-time
2016	10	2
2017	12	2
2018	8	1
2019	10	3
2020	9	4

Source: Prepared by the writer (CV. Karya Bersama, Medan, 2021)

The figure presented below based on the data above :

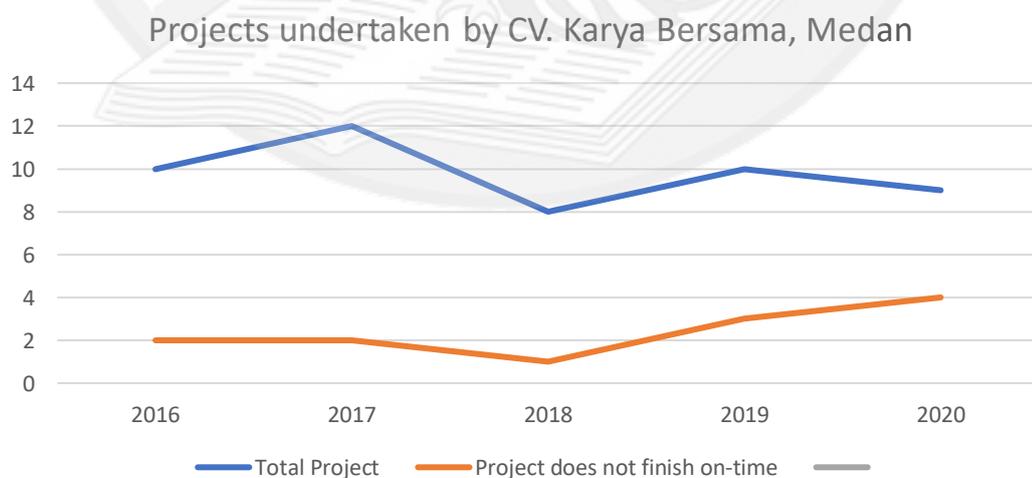


Figure 1.1 Projects undertaken by CV. Karya Bersama, Medan

Source : prepared by the writer (CV. Karya Bersama, Medan, 2021)

As seen in the table and figure 1.1 above, CV Karya Bersama, Medan has been facing an increase in the number of delays in completing the project, that will be affecting the company because the company will charge a fine by the government as the client of the project, many factors affect the project, one of the possible causes is known to be poor employee performance at CV. Karya Bersama, Medan.

As seen from the data above, the company faced a decrease in company performance, proved by the data showing the company has an increasing number of delayed projects.

And based on theory from Colquitt, LePine, and Wesson (2015: 32), as cited from Adriyanti et al., 2020. "say job performance is formally defined as the value of the set of employee behavior that contributes, either positively or negatively, to organizational goal accomplishment. Good performance of the employee equal to the excellent outcome to the company and increasing company performance." we can see that the company performance depends on their employee performance because employee performance holds an essential key in order to determine the company performance, and based on the grand theory for this research from (Buchanan & Huczynski, 2019) argue sufficient compensation must meet the needs and satisfy employees, ensuring appropriate behavior to all employees who hope to reward performance. The more often company can give a reward, the higher the potential use as an instrument that can affect employee performance.

Based on the interview that has been held with some of their employees, they stated that the main reason for the work is to earn money, which is the salary

that provided by the company, they will work just based on the work hours that the company gave, if their employee feels like they have worked based on the work hours they tend not to do extra work outside their work hours because they think that even they do more for the company and help the company to finish the project as soon as possible, they will not get any benefits, bonus, or extra salary for what they have done to the company, which makes them less motivated and does not take their job seriously.

This clearly shows that compensation influences employee performance as their performance keeps on declining as the company are not provided fair and enough compensation. Other factors that show poor employee performance in this company is the fact that the employees do not obey the rules that are being implemented in the company, such as do not reach the target of work that has been set, long lunch hours, and even they just work based on the work hours without care about the target and the project deadline.

Therefore, they are not driven to work harder as there are no benefits offered by the company even if they work overtime and do the project faster than they are ordered to. If the company continues not to pay attention to the importance of compensation. In that case, employees might not have any motivation to work harder. As a result, the company might face an increasing number of projects delay, or even worst, they will lose their client as well as poor employee performance.

Therefore, the writer wants to research with the title. **“The influence of compensation towards employee performance at CV. Karya Bersama in Medan”**

1.2 Problem Limitation

Due to a lack of funds, time, experience, and access to this company, the writer will limit the scope of the research and only cover compensation as the independent variable (X) and employee performance as the dependent variable (Y) at CV. Karya Bersama in Medan. This Research will also limit variable X's indicators to focus only on wage and salary, incentives, and benefits (Simamora, as cited from Sudiarditha et al. (2019)) and variable Y's indicators to focus only on quality, quantity, and punctuality (Robbins as cited from Kertiriasih et al. (2018) , also the sample of this research are focus to observing the employee who working at CV. Karya Bersama.

1.3 Problem Formulation

The writer can create the following research questions based on the observations at CV. Karya Bersama in Medan:

1. How is the compensation at CV. Karya Bersama in Medan?
2. How is the employee performance at CV. Karya Bersama in Medan?
3. Does compensation have influence towards employee performance at CV. Karya Bersama in Medan?

1.4 Objective of the Reseach

The following are the objectives of this study:

1. To find out about compensation at CV. Karya Bersama in Medan.
2. To evaluate employee performance at CV. Karya Bersama in Medan.

3. To see whether compensation influence the employee performance or not at CV. Karya Bersama in Medan.

1.5 Benefit of Research

Here are the benefits of this research:

1.5.1 Theoretical Benefit

The outcome of this research is expected to become a reference for similar research in the future, mainly concerned about paying attention to the level of compensation to maintain the employees' performance.

1.5.2 Practical Benefit

1. Company

To improve compensation so as to increase employees performance.

2. Researcher

To know the influence of compensation towards employees' performance in the real life.

3. Reader

To improve reader knowledge about how important the influence of the level of Compensation on Employees' Performance at CV. Karya Bersama in Medan.