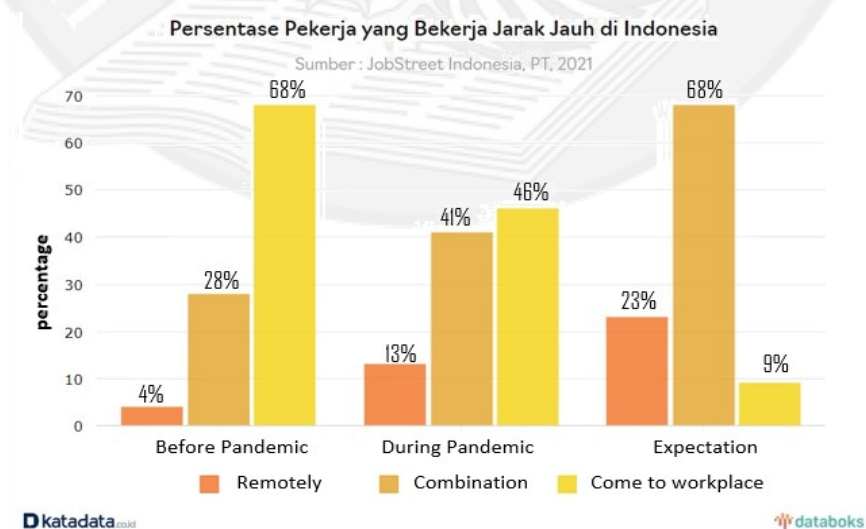


# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Due to the pandemic of Covid-19 which is still happening at this moment, all employees are encouraged to obey the government regulation regarding about Work From Home (WFH) policy. All workers have to work while staying at their home, except for the ones who have no choice but to come to the workplace. They have to perform task or serve customers, so they must wear mask to keep them safe. In addition, the changes of percentage of workers who come to the workplace and work remotely in Indonesia for before and during the pandemic of Covid-19 can be seen from a survey conducted by JobStreet Indonesia and cited by Bayu (2021). The survey was replied by 33,084 respondents in Indonesia from October until December 2020 as seen in the following graph.



**Figure 1. 1 Percentages of Remote Workers during Pandemic in Indonesia**  
Source: Bayu (2021)

Based on Figure 1.1, before the pandemic of Covid-19, there were 68% of people who come to the workplace, whereas remote workers were only 4% and the rest 28% workers had combination of both. However, during the pandemic, the percentage of people who come to the workplace have dropped into 46%, while the remote workers and the combination of these two have increased into 13% and 41% respectively. This phenomenon occurs because of the implementation of Work From Home policy which is why more and more workers are now working remotely in order to prevent being infected by the widespread of Covid-19 virus. Furthermore, most of them expect that their companies allow them to come to workplace as well as working from their home (Bayu, 2021).

Even though a year has gone by since the start of the pandemic back in December 2019 and most of them apparently have gotten used to this policy, working at home for a long period might give them boredom. These demotivated employees slowly will give low productivity which will result in bad work performance and ruin the career that he or she have built from zero (Jatmiko, 2021). Either they will receive warning letter and soon-to-be fired or they want to resign from the company, whatever the decision is, this low motivation phenomenon is faced by every workers in organization nowadays so the managers must find a way on how to get them motivated again and retain them as long as possible. This is due to the fact that losing employees will make the company bear a huge loss of money, time, and energy spent for recruiting, selecting, and training when they are still new to the company (Ni, 2021).

Nonetheless, in every industry, employees are present to help ease the job and increase the company chance for its overall success. In order to achieve this success faster, they need to have motivation in any kind of job that they perform. This is because of motivation as one of the major variables that drive them as human beings to put extra efforts (Akhtar, Aziz, Hussain, Ali, & Salman, 2014, as cited in Shah & Asad, 2018). In other words, motivation will make them to be willing to work hard in finishing the task more effectively and efficiently. Therefore, Springer (2011) as cited in Shah and Asad (2018) stated that employee motivation is a human behavior process to complete task in effective manner. Along with that, demotivated employees do not put high effort which results in high possibility of leaving their job and its workplace, which is known as employee turnover. Even worse, the turnover increases when motivation is absent.

Furthermore, motivation consists of two types which are intrinsic motivation and extrinsic motivation. According to Ryan and Deci (2000) as cited in Shad and Asad (2018), intrinsic motivation can be described as the job aspect that increases the employee satisfaction internally. It can be in form of appreciation, new work challenges, positive and soft behavior from employer, and job succession. Conversely, extrinsic motivation includes pay, bonus, and promotions (Shah & Asad, 2018). All employees need both intrinsic and extrinsic motivation in any industry especially in automotive industry, so that employee performance and organizational productivity can be enhanced. Not only that, employees will be more motivated and have higher intention in staying within the company.

In competitive work environment, employee retention has become a main problem for every employers in any companies. Similar issue also is faced in an automotive company. When the workers are not praised enough or the same kind of work is repeatedly done every single day, they will get bored and unmotivated easily that eventually makes the retention becomes extremely challenging.

Studies show that motivation has positive influence on employee retention (Mgedezi, Toga, & Mjoli, 2014, as cited in Shah & Asad, 2018). The underlying grand theory of motivation that supports is Herzberg's Two Factor Theory in the book titled *Organizational Behaviour, Second Edition* (2019) by Chitale, Mohanty, and Dubey at page 183-184. The Two Factor Theory was found by Fredrick Herzberg and his associates in 1959 which states there are two sets of factors in the work setting that affect employee's job attitudes. The first one is called motivators or satisfiers (about intrinsic motivation), whereas the second one is called hygiene factors or dissatisfiers (about extrinsic motivation). Thus, this theory is also known as Motivation-Hygiene Theory. The point is that the motivators along with the hygiene factors should present to maintain employee retention.

For the automotive company that the author would like to do research regarding this issue, the company name is PT. Dipo Internasional Pahala Otomotif Krakatau. This company is located in Jl. Krakatau Ujung No. 236, Kel. Tanjung Mulia, Kec. Medan Deli, Medan, North Sumatera, Indonesia. It is a branch of Dipo Sisingamangaraja Medan that has been established for two years. The nature

of this business is giving service as car dealers and enabling test drive for its client to get the experience for driving with Mitsubishi car.

The main problem that the author wants to resolve is about the employee retention issue which is caused by lack of motivation by the workers. It turns out that the manager in the company they are working for does not really give them enough praise and award, resulting in lower intention to retain in the company.

In fact, the retention rate in this automotive company had been declining over the months back in the year of 2020 which is shown below.

**Table 1. 1 Employee Retention Rate in DIPO Krakatau in the Year of 2020**

Month	Total Employees	Number of Employees who Left	Number of Employees who Joined
January	40	3	-
February	37	-	-
March	37	2	-
April	35	1	-
May	34	-	2
June	36	4	-
July	32	-	-
August	32	-	1
September	33	3	-
October	30	-	1
November	31	1	-
December	30	-	2
Total (Final)	32	14	6

Source: PT. Dipo Internasional Pahala Otomotif Krakatau (2021)

Based on Table 1. 1, there were a total of 14 employees who had left the company within a year of 2020, whereas the total number of employees who had joined were only six people. From that table, the highest turnover was in the month of June where there was four people who quitted their job, either being laid off by the company or they themselves resigned from the company. There are some possible reasons that can explain this retention issue faced by the company.

Notably, from the interview that the author had done with one of the employees who work there, there is a lack of praise given by the manager. In the past, the manager frequently gives praise to each and every employees who have shown good work performance with minimum one or two praises per day. But now, the manager is a little bit picky, thus some employees get no praise in a day and deep down inside their heart, they feel disappointed and unmotivated, even envy others who just received compliment from the boss.

Likewise, the company has few awards available for their employees. Based on the interview, one of the employees said that only some employees who participated in certain contest held by the company itself like after sales service contest can win amazing prizes. However, this contest is done once a year and for a specific department for after sales service employees. Hence, the ones from other departments doesn't have the chance to get this kind of award. This becomes a problem where they feel unappreciated, intent to leave the company, and find other companies who most likely to award any employees without playing favorites.

With that said, the author would like to research about **“The Effect of Motivation toward Employee Retention at PT. Dipo Internasional Pahala Otomotif Krakatau in Medan.”**

## **1.2 Problem Limitation**

This research study will limited on the discussion of the effect of “Motivation” toward “Employee Retention” at Dipo Krakatau in Medan because

of limited time, budget, and resources that the author has. The sample is limited to employees in Dipo Krakatau. The extrinsic motivation indicators will be limited to salary and benefits (Heneman & Schwab, 1985; Sturman, et. al., 2000, as cited in Ni, 2021). The intrinsic motivation indicators will be limited to achievement, recognition, and responsibility (Herzberg, 1966, as cited in Risqi, H. B., Saleh, C., & Prihatini D., 2016). On the other hand, the employee retention indicators will be limited into organizational component, career development opportunity, and employee relationship with others (Mathis & Jackson, 2006, as cited in Sa'diyah, Irawati, & Faidal, 2017).

### **1.3 Problem Formulation**

In this research study, the problems that will be examined are as follows.

- a) How well does the employee implement motivation at Dipo Krakatau?
- b) How well does Dipo Krakatau retain its employees?
- c) Is there any effect of motivation toward employee retention at Dipo Krakatau?

### **1.4 Objective of the Research**

The objectives of this research study as the writer wish to realize are as follows.

- a) To identify the employee motivation at DIPO Krakatau.
- b) To identify the employee retention strategies at DIPO Krakatau.

- c) To identify the effect of motivation toward employee retention at DIPO Krakatau.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

The explanation and the information provided in this study would help the reader to understand the theory under management study and gain some knowledge and insight to this particular study of motivation, employee retention, and the effect of motivation toward employee retention.

### **1.5.2 Practical Benefit**

- a) For Company

The writer hopes that this study will help Dipo Krakatau in resolving the employee retention issues by understanding the difference of motivation that each employee has and ensure that they will keep motivated, so that they will keep continue in working on future project with this company.

- b) For Other Parties/Researchers

The writer also hopes that this study will help future researcher to use the information discussed and findings shown as references and learning material about the effect of motivation toward employee retention in automotive industry.

- c) For Writer

This research study has also given benefits to the writer itself by knowing more deeply about the motivation and its effect toward the



employee retention that is directly practiced in the automotive company as well as applying it in future real life situation.

