

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Nowadays, many companies ranging from national to international recognize emphasizes that human resources are very important to companies. This happens because one of the success factors lies in the company's human resources. According to (Susan, 2019) Human resources are one of the most crucial aspects of every organization, including both institutions and businesses. Human resources are also a key factor in determining the growth. Human resources are defined as people who work in an organization as leaders, thinkers, and planners in order to fulfill the organization's objectives. The bigger the company, the bigger it requires more of human resources both in terms of quality and quantity for the possible dynamic growth of organization or a company. It is necessary to have reliable, creative, and innovative human resources for companies that aims to grow more rapidly in the future.

A company who has good strategy and planning but without the human resources, none of the ideas would be achieved. In other words, employees take parts as one of the keys to a company's success noted under employees' good performance. According to Sutrisno (2016) in (NANDA, 2017), performance is a person's success in carrying out tasks, work results that can be achieved by a person or group of people in an organization according to their respective authority and responsibility or about how someone is expected to perform and

behave in accordance with the task given to him and the quantity, quality, and time spent in carrying out the tasks. Employee performance can give such impact in developing a company or an organization. The more productive the employee, the better the chance in exceeding the goals set by the company. On the other hand, if the performance of employees in a company are concerning, the turn-out result can interfere the growth.

To appreciate the good work from employees who gave their best performance, company gives the incentives the employee deserves. Incentives are special compensation provided by companies to employees differentiated from their main salary to help motivate or encourage the employees to work harder and strive to continue improving their work performance in the company. Incentives are a type of motivator that encourages employees to work to their full potential and are designed to boost the income or wages that have been set. Incentives are given to employees and their families in order to fulfill their needs (Sitompul & Saragih, 2020). Sometimes employee expects to obtain benefits that are compatible with the outcomes of his or her job and accomplishments, but not always, incentives are not in line with what they expect, so that employees are not excited and often trigger reduced employee efficiency.

Providing incentive may perform as indicator where an organization has to consider boosting employee performance in a better future direction. Providing incentives may also have an effect on increasing employee productivity in order to sustain their desire to function optimally in the future. For this reason, giving incentives could benefit both parties related, where employee will feel appreciated

and motivated while company will receive the good output from good performance by the motivated employee.

Based on interviews undertaken by the author with the HRD of the company, details were collected on range of incentives that company gives to employee:

**Table 1.1 Range of Incentive**

Position	Range of incentives (in Million/year)
Manager	5-10
Admin	3-4
Operator	5-8

Source: Prepared by Authors (2021)

There are several things that can directly influence employee performance that impact company achievement. PT. Surya Baru Prima Nusantara Medan, a plantation company that operates in oil palm land clearing services who works in several regions, including North Sumatra, Palembang and Kalimantan, provides rewards in the business to support the success of workers. PT. Surya Baru Prima Nusantara Medan is a successful family business in its industry. His family runs the majority of the firm. The company has taken these steps to inspire workers to do their best and to achieve that has been set by the company. In this way, the company honors workers by offering bonuses in line with the success obtained by employees and by appreciating them as high as possible. Based on interviews undertaken by the author with the HRD of the company, details were collected on the achievement of the annual project goals by operator:

**Table 1.2 Annual Target Achieved**

Year	Target (Project)	Result	Percentage (%)
2017	300	250	83.3
2018	343	246	71.7
2019	327	276	84.4

Source: Prepared by Authors (2021)

From the table above, it shows the number of target achieved by operator yearly. Operator is an individual who works in the form of tasks, such as chipping, clearance of land and trenches which goals are set by the company. When the operators are able to achieve the targeted goals, this will have a significant impact on the success of both individual and company performance.

As seen above, it can be inferred that the company has not accomplished the desired goals in the last three years. As for 2019, the business could not meet the target and had a huge difference from the predetermined target. It can also be inferred that the goal has not been reached for the last 3 years and that it has had an effect on the performance of the company which is not stable. Regarding to this, author is interested to figure out why the business has undergone a downturn in meeting its goals, which have declined from year to year at PT Surya Bara Prima Nusantara Medan. Therefore, further research about how incentives can influence on employee performance will perform with the title "The Impact of Incentives towards Employee Performance at PT. Surya Baru Prima Nusantara".

## **1.2 Problem Limitation**

The respondents of this research are employees at PT. Surya Baru Prima Nusantara and the objective is to know how they feel about the given incentives. Due to limited time, this research will focus on the issue of the role of operator where incentives have already been provided to motivate employees to perform better but the outcomes during these years have not reached the goal.

The topic of the title just refers to two variables, the first one is impact of incentives as an independent variable (X). An indicator for this topic is performance, duration of work, years of experience, needs, fairness & appropriateness, and job evaluation. The other variables are employee performance considered as dependent variable (Y). The key performance indicator for this variable is quality of works, work quantity, work constraints, work attitude.

Since there could be other possibilities in affecting employee's performance, writer decides to only focus on one possibility. Therefore, the title "The Impact of Incentives towards Employee Performance at PT.Surya Baru Prima Nusantara Medan" is chosen which focuses on how much the impact of incentives can affect performance.

### **1.3 Problem Formulation**

According to the background of the study, to fulfill the goals in investigating the impact of incentives towards employee performance at PT. Surya Baru Prima Nusantara Medan (SBPN), we will use the problem formulation listed below:

1. How is the incentive at PT. Surya Baru Prima Nusantara Medan?
2. How is the employee performance of PT. Surya Baru Prima Nusantara Medan?
3. Does incentive have an impact towards employee performance at PT. Surya Baru Prima Nusantara?

## **1.4 Objective of the Research**

According to the background of the study and the problem formulation as listed, the purposes of this writing are:

1. To find out how the incentive of PT. Surya Baru Prima Nusantara Medan is.
2. To know how the employees performance of PT. Surya Baru Prima Nusantara Medan is.
3. To know whether incentive impacts employee performance at PT.Surya Baru Prima Nusantara.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

The theoretical benefits of this writing are:

- Expected to give writer an experience in doing research and implements the theories and knowledge by lecturers
- Expected to be useful and as reference for other authors who intend to do further research about motivation or employee performance
- Expected to be informative for those who has planned and been building a company.

### 1.5.2 Practical Benefit

The practical benefit of research are as follow:

- For the writer, this research is helpful for authors to understand more about the impact of incentives on employee performance.
- For business/ firm, this research is useful to companies in order to increase their effectiveness in providing incentives for employee. Therefore, the company have a feedback, so in the future company can improve the incentive program
- For other researchers, this research can be used as a reference and can also be developed in the future.

