

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Study

The achievement of company goals does not just depend on modern equipment, complete facilities and infrastructure, but it is also dependent on humans who carry out the work. The success of an organization is also influenced by the individual performance of its employees. Every organization or the company will always try to improve employee performance, with expectations of what the company's goals will be achieved.

Some ways to achieve good performance can be achieved through education, training, giving proper compensation, creating a conducive work environment and motivation. Through this method is expected to further maximize responsibility for their work because the employees have been equipped and it is related to implementation of their work. Providing motivation to improve employee performance various forms, including by providing direct motivation directed at each individual. The usual way to do this is by provide reasonable compensation policies, which can be sufficient for all his life needs.

Compensation is part of the reciprocal relationship between organizations with human resources. According to Gary Dessler (2016) employee compensation are all forms of payment or gifts given to employees

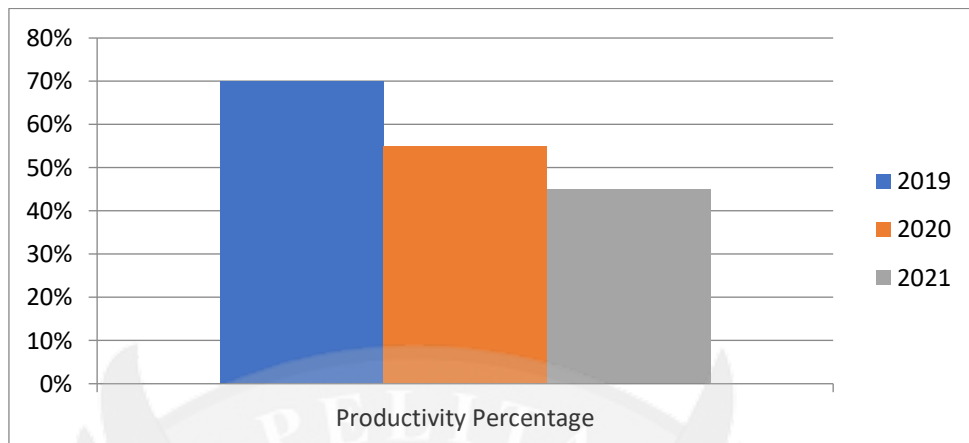
and emerge from their work and have two components: direct payments (in the form of wages, salaries, incentives, commissions, and bonuses), and indirect payment (in the form of financial benefits such as insurance and vacation money paid by the company).

Compensation is an award given to employee directly by both employees and indirectly, financially and non-financially, which is fair to employees for their contribution in achieving organizational goals, so compensation is really needed by any company in order improve the performance of its employees. The form of financial compensation is salary, benefits, bonuses and commissions. And for non-financial compensation including is training, authority and responsibility, appreciation for performance as well a supportive work environment.

Employee performance is how an employee fulfill their job desk and execute their task in the company. The employee performance has to be effective, good quality, and efficiency of their output. One of the best ways to improve the capacity of employee performance is to link compensation with employee development. If the compensation program is felt to be fair and competitive by employees, the company will be easier to attract potential employees, retain them and motivate employees to further improve its performance, so that productivity increases and the company able to produce products at competitive prices. So that the company not only superior in competition, but also able to maintain its survival, even being able to increase profitability and expand their business.

CV. Kimia Karya Nusa Caraka is a family business company established in 2014 and still lead by the first generation of the family. It's a family business because almost all of the ownership or control lies in a single family and the family members involved and participated in the company. According to author research, in the future the company will be passed down by the owner to his son which is helping and learning in the company currently.

The company located at Jln, veteran No. 94, Medan. This company doing business in agriculture field (fertilizer, pesticide, seeds, etc). They have 66 employee. From data CV. Kimia Karya Nusa Caraka that writer got, from February 2019 to December 2019 there is 6 people has quit their job from the company so the company has 60 employee and lost 6 employee across the year. This has effected the company a little, since in the end of 2019 CORONA VIRUS start to take effect on business. According to the data provided by the manager of CV. Kimia Karya Nusa Caraka, there were a decline in the employee performance starting from the last 3 years which counted based on the key performance indicators provided by the company and from the percentage, the company required explanation from the research regarding the number decrement. Some of the key performance indicators might be based on the time of arrival, the productivity hour, the output of the works from the employee and so on. Here is the graph given by the company regarding the employee performance percentage:



**Figure 1.1. Annual Productivity Percentage based on KPI**  
 Source: CV. KIMIA KARYANUSA CARAKA (2021)

The writer is very interested personally on conducting a research deeply in this company to test the hypotheses about how much compensation affects employee performance in CV. Kimia Karyanusa Caraka, so writer choose to make a research with the title “Effect of Compensation to Employee Performance at CV. Kimia Karyanusa Caraka”.

## 1.2. Problem Limitation

To be a nice, confidential, and accurate research, the writer will consistent to make a research in several border like:

The information about company and complete data of this research are collected and help from the owner son which is the second generation in the future of the company.

The respondent and target of questioner mainly taken from the employee and head of employee at the company.

The topic of the title just refer to two (2) variables, the first one is compensation effect consider as independent variable (X) an indicator for these topics is visible interaction among employees, understand personal job, employee compensation knowledge, motivation, and active for suggestion and support.

The other variables are employee performance consider as dependent variable (Y).

Key performance indicator for this variable are employee performance evaluation, team management issues, project management strategies, work quality, work efficiency (Erik Van Vulpen).

### **1.3. Problem Formulation**

Find the effect of compensation to employee performance CV. Kimia Karya Nusa is the purpose of the research. Hence, this research tries to find and answer the following question on the material.

- a. How is the compensation program at CV. Kimia KaryaNusa Caraka?
- b. How is the employee performance at CV. Kimia KaryaNusa Caraka?
- c. Does compensation affect employee performance at CV. Kimia KaryaNusa Caraka?

### **1.4. Objective of Research**

The objective of the research is created to answer the question formulated above, hence the objectives of the research should be:

- a. To find out the compensation for the employees at CV. Kimia KaryaNusa Caraka

- b. To know about the employee performance at CV. Kimia KaryaNusa Caraka
- c. To analyze whether compensation affects employee performance CV. Kimia KaryaNusa Caraka

## **1.5. Benefits of Research**

### **1.5.1. Theoretical Benefit**

After reflecting on the knowledge and learning in material context, the achievement of this research is to add on additional understanding about the Effect of Compensation to Employee Performance. In the end of, the reader can catch on written content and give many educational material of the similar topics and variable.

### **1.5.2. Practical Benefit**

The writer hopes that the research will take about significance in three (3) Benefits, which are:

- a. For the writer, this research would contributed the sense, feeling and knowledge in the correlation between to learn the Effect of Compensation to Employee Performances in the other real chances.
- b. For the business/firm, this research would give a description and idea for revolutionize organizational performance by related the essence of effect given by employee compensation.
- c. For other researchers, this research would makes an example of references with the same or correspondence topic.