

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Success in running a company cannot be separated from the human resource factor in carrying out tasks. In a company, of course the role of leaders and employees is very important because with the existence of quality leaders and employees it will make a company can develop and be better in the future. To achieve the success of a company's goals, in managing existing human resources, it is very necessary to have a good leader role and figure who is able to manage human resources well so that the human resources obtained are also loyal to the company (Bennis, 2013).

According to Laksono (2018) stated that employees in a company play an important role because employees always play an active role in every company activity where employees are always the planners, implementers and determinants of achieving company goals. These management actions are interrelated and it is the duty of every leader to manage their employees in order to achieve company goals. A leader must be able to encourage every employee to always be productive because the spirit of the existence of a leader in a company will be felt by every employee. Effective leadership is the most difficult human resource to find, therefore every leader must first understand the theory of leadership by knowing the potential possessed by his employees or possessed by a prospective leader.

Leadership is the most important part of management because leadership is the person who moves every factor of production in a company to run. A good leader is a leader who is able to create morale, instill confidence and responsibility in their employees to carry out their duties with full responsibility in order to achieve company productivity (Trioctavia, 2016). A company must be required to have a leader who is able to create a peaceful atmosphere and is able to increase employee job satisfaction because basically leaders and employees in a company have different backgrounds and living environments.

According to Tarigan (2017) stated when a company can increase the loyalty of their employees, the continuity of the company will also continue because employees have a sense of loyalty to the company so that every activity related to the company will also run smoothly.

In a company, many factors can support the implementation of a company activity, one of these factors is the work environment. A comfortable work environment will have a positive impact on employees because the work environment is a place where employees perform their duties (Sandra, 2017). A comfortable work environment will make employees excited to work and produce good performance, on the contrary if the work environment is not supportive it will make employees feel uncomfortable and the resulting performance is also not good. A comfortable work environment is a work environment that is safe, bright, clean, not noisy and free from all threats that can disturb or hinder employees to work optimally.

Teamwork is a factor that greatly affects employee performance because when a company has employees who can work in teamwork, it will provide efficient performance so that employees can achieve company goals that have been determined (Pandelaki, 2019). Companies must have solid teamwork in order to complete the process of achieving company goals because no company will be able to survive without strong teamwork. The work in a company will not be carried out when the employees in the company cannot work in teamwork (Msulihah, 2016).

Everyone who is in teamwork must also realize that cooperation is a combination of various individuals who become one to be able to achieve common goals and not personal goals. In addition, a company can be said to be successful if the desired goals of the company can be achieved effectively and efficiently and usually the most basic can be seen from how much the company can benefit from the goods or services produced that can meet the needs and satisfaction of its customers. So it conducted research on PT. Baja Pertiwi Industri Medan which is a family business company founded by Sudirman in 1983.

From the description, it can be said that the company's image, company leadership, immediate manager, cooperation and good working conditions can support employee satisfaction and loyalty as well as the success of PT. Baja Pertiwi Industri Medan in achieving its goals. If several factors that can influence and help are implemented and managed properly, then these factors will be very beneficial for the company in marketing and promoting these products. Employee satisfaction and loyalty is also an important factor considering that without human resources, PT. Baja Pertiwi Industri Medan, which is a company engaged in the manufacturing

sector that can produce tools needed in several industrial sectors in Indonesia such as heavy equipment such as water pumps, oil pumps or lorry wheels that can be used by the mining industry, industry construction, transportation and so on will also not be able to run.

In this case, one of the main competitors of PT. Baja Pertiwi Industri Medan is PT. Cipta Baja Raya, the company is also an experienced company in producing iron and steel components for the needs of various industries.

Table 1.1 Comparison of PT. Baja Pertiwi Industri Medan and PT. Cipta Baja Raya Medan

Company	PT. Baja Pertiwi Industri Medan	PT. Cipta Baja Raya Medan
Since	1983	2011
Production Type	water pumps, oil pumps, lorry wheels	crumb rubber, lorry wheels, palm oil
Vision	To dominate the share of steel and iron foundries on a national scale, and be oriented to profit growth and customer satisfaction.	To be a company that provides the world's steel at competitive costs as well as the world's leading steel company.
Mision	To be a company that produces high quality production.	A company that is committed to providing steel and related products with a holistic approach that results in industrial and infrastructure solutions.
Raw Materials	iron pieces, steel cut, and stainless cut	steel, carbon, silicone, and manganese

Source: PT. Baja Pertiwi Industri Medan (2021), PT. Cipta Baja Raya Medan (2022)

Table 1.2 List Yearly of In and Out Employees PT. Baja Pertiwi Industri Medan

Year	In	Out	Total Employees Each Year
2017	6 Employees	8 Employees	107 Employees
2018	5 Employees	6 Employees	106 Employees
2019	5 Employees	7 Employees	104 Employees
2020	2 Employees	6 Employees	100 Employees
2021	4 Employees	5 Employees	99 Employees

Source: PT. Baja Pertiwi Industri Medan (2021)

Based on Table 1.2, it can be seen that PT. Baja Pertiwi Industri Medan has 107 employees in 2017. In 2018, the total employees at PT. Baja Pertiwi Industri decreased by 1 person to 106 people from 2017. In 2019, 5 employees joined but employees left PT. Baja Pertiwi Industri Medan as many as 7 people resulted in a

decrease in total employees, causing the total number of employees working in 2019 to be 104 people. Then in 2020, which was the year the Covid virus outbreak was reported to have entered Indonesia, so PT. Baja Pertiwi Industri only accepted 2 people to work while 6 people left, resulting in a total of 100 employees. In the following year, 2021, the number of employees at PT. Baja Pertiwi Industri Medan experienced a decrease by 1 person to 99 people.

From these data, we can see that PT. Baja Pertiwi Industri Medan has decreased the number of employees who work every year, the decrease in the number of employees working can occur due to the low level of employee loyalty. The low level of loyalty of each employee causes an increase in the number of employees who leave based on personal desires, not because of the expiration of the contract or termination of employment from the company (Ristianito, 2017). Therefore, it is important to increase Employee Loyalty in order to survive and thrive in the market.

Employee loyalty is one of the important factors that must be considered by every company, employees who have high loyalty usually do not consider the work assignments given to be a burden, but loyal employees will show their passion when doing their work and consider the work given to be fun. With high employee loyalty can lead to company progress because every employee can work optimally. Work loyalty is employee loyalty to the company that will be able to create a sense of responsibility. Employee loyalty in a company is absolutely necessary for the success of the company itself (Nitisemito, 2016).

Every company usually always hopes that the company can achieve a desired goal. To achieve the goals of a company usually requires good management in order to increase the effectiveness of a company. This research suspected that the problems often faced by PT. Baja Pertiwi Industri Medan is a matter of cooperation and working conditions, cooperation and working conditions can be factors that influence and make employee satisfaction levels low, with low employee job satisfaction making employee loyalty low as well. Other problems such as corporate leadership and immediate managers can also be factors that affect employee loyalty in a company because these problems are problems that are directly related to leaders and employees so that these problems cannot be ignored, as we know that in a company, of course there are leaders who regulate employees so that company goals can be achieved. If the leader's relationship with his subordinates or commonly called employees is not good, then employees who work in a company tend to work ineffectively so companies need to find ways so that the company can manage all employees in a company to be able to carry out their respective duties as well as possible. in order to achieve what is expected by PT. Baja Pertiwi Industri Medan. Therefore, at this time, it is examining the problems that are happening at PT. Baja Pertiwi Industri Medan.

Employee loyalty is the level of employees who identify themselves with the company and want to continue to work actively and participate in the company (Wibowo, 2017). For example, when employees at PT. Baja Pertiwi Industri Medan has a high level of loyalty so that the old employee turnover rate will be lower due to a lack of interest from an employee to find another job outside the company.

Job satisfaction is an emotional state that is pleasant or unpleasant for employees in viewing their work (Sutrisno, 2019). For example, PT. Baja Pertiwi Industri Medan have employees who have a high level of job satisfaction and it can be seen that every employee who works feels satisfied with their work and can increase their productivity.

Corporate image is the public's view of the good and bad of a company (Majid, 2018). Corporate image increases the possibility of alternative brands which leads to greater customer loyalty and reduces the level of vulnerability in competitive marketing activities (Kaur & Soch, 2018). For example, the company image at PT. Baja Pertiwi Industri Medan, when a palm oil company wants to find spare parts for their needs, such as lorry wheels, some palm oil companies will recognize and identify with the brand, because the brand creates a good company image in the eyes of consumers and this can influence and increase satisfaction and loyalty.

Leadership is the ability of a process to influence group activities to achieve common goals (Ansory & Indrasari, 2018). For example, the main leadership of PT. Baja Pertiwi Industri have the ability to lead their subordinates by providing motivation and direction to their employees, besides that, as a leader they also pay attention to the performance of their employees.

Immediate manager is someone who has the knowledge and experience to lead and manage a company. In other words, a manager is someone who does a job within a company by collaborating with other people by coordinating all activities together to achieve the company's main goals (Mahanani,2019). For example, the

Immediate manager at PT. Baja Pertiwi Industri have the ability to collect all information from its employees and can establish good communication with their subordinates.

Teamwork is a collection of individuals who depend on each other for tasks and are jointly responsible for the results of the work that has been done. Cooperation is an activity that is managed and carried out by a group of people who are members of a company (Devina, 2018). For example, every employee who works at PT. Baja Pertiwi Industri Medan able to work together to complete a given task from the company effectively and efficiently.

Work environment is the overall work facilities and infrastructure around employees who are doing work that can affect the implementation of work (Indiyati et al, 2018). For example, PT. Baja Pertiwi Industri Medan have a large area of land because it is a company engaged in foundry so that the place of production and the office must be separated. In addition, working conditions in production sites and offices must be clean and equipped with good and comfortable ventilation because safe and comfortable working conditions can make every employee able to work optimally without any disturbance.

Based on description above, this problem is the main attraction to be researched and analyzed. It will conduct research with the title “**The Influence of Corporate Image, Corporate Leadership, Immediate Manager, Cooperation and Conditions of Work towards Employee Satisfaction and Employee Loyalty at PT. Baja Pertiwi Industri in Medan**”.

1.2 Problem Limitation

Based on background above and due to limitation of time, it is deciding to conduct the research by setting up several limitations, such as:

- a. Corporate Image, Corporate Leadership, Immediate Manager, Cooperation and Conditions of Work towards Employee Satisfaction and Employee Loyalty.
- b. The data of this research is gathered from PT. Baja Pertiwi Industri located at Jalan Sisingamangaraja Km. 7.5 No. 62 B, Medan, Sumatera Utara, Indonesia.
- c. Due to geographical and time, the respondents were only taken from the employees of PT. Baja Pertiwi Industri that are located in Medan, Sumatera Utara, Indonesia.

1.3 Problem Formulation

Based on background above, the problem in the research can be expressed in various forms of questions, such as:

- a. Does corporate image have a significant effect on employee satisfaction at PT. Baja Pertiwi Industri Medan?
- b. Does corporate leadership have a significant effect on employee satisfaction at PT. Baja Pertiwi Industri Medan?
- c. Does immediate manager have a significant effect on employee satisfaction at PT. Baja Pertiwi Industri Medan?
- d. Does cooperation have a significant effect on employee satisfaction at PT. Baja Pertiwi Industri Medan?

- e. Does conditions of work have a significant effect on employee satisfaction at PT. Baja Pertiwi Industri Medan?
- f. Does job satisfaction have a significant effect on employee loyalty at PT. Baja Pertiwi Industri Medan?
- g. Does employee satisfaction mediate the effect of corporate image on employee loyalty at PT. Baja Pertiwi Industri Medan?
- h. Does employee satisfaction mediate the effect of corporate leadership on employee loyalty at PT. Baja Pertiwi Industri Medan?
- i. Does employee satisfaction mediate the effect of immediate manager on employee loyalty at PT. Baja Pertiwi Industri Medan?
- j. Does employee satisfaction mediate the effect of cooperation on employee loyalty at PT. Baja Pertiwi Industri Medan?
- k. Does employee satisfaction mediate the effect of conditions of work on employee loyalty at PT. Baja Pertiwi Industri Medan?

1.4 Objective of the Research

Based on the formulation of the problem above, the purpose of this study are:

- a. To determine the effect of corporate image on employee satisfaction at PT. Baja Pertiwi Industri Medan.
- b. To determine the influence of the corporate leadership on employee satisfaction at PT. Baja Pertiwi Industri Medan.
- c. To determine the influence of the immediate manager on employee satisfaction at PT. Baja Pertiwi Industri Medan.

- d. To determine the effect of cooperation on employee satisfaction at PT. Baja Pertiwi Industri Medan.
- e. To determine the effect of the conditions of work on employee satisfaction at PT. Baja Pertiwi Industri Medan.
- f. To determine the effect of the employee satisfaction on employee loyalty at PT. Baja Pertiwi Industri Medan.
- g. Employee satisfaction does not mediate the effect of corporate image on employee loyalty at PT. Baja Pertiwi Industri Medan.
- h. Employee satisfaction does not mediate the effect of corporate leadership on employee loyalty at PT. Baja Pertiwi Industri Medan.
- i. Employee satisfaction does not mediate the effect of immediate manager on employee loyalty at PT. Baja Pertiwi Industri Medan.
- j. Employee satisfaction mediate the effect of cooperation on employee loyalty at PT. Baja Pertiwi Industri Medan.
- k. Employee satisfaction mediate the effect of conditions of work on employee loyalty at PT. Baja Pertiwi Industri Medan.

1.5 Benefit of the Research

Benefit of this research consist of two (2) forms which Theoretical Benefit and Practical Benefit.

1.5.1 Theoretical Benefit

The benefit for this research, it hopes that the results of this study can increase the knowledge of other writers who are interested in similar topics. In addition, the results of this study can serve as an educational context where it can

be used as a means of learning and expanding knowledge about Corporate Image, Corporate Leadership, Immediate Manager, Cooperation and Conditions of Work towards Employee Satisfaction and Employee Loyalty.

1.5.2 Practical Benefit

The writer expects that this research will deliver some benefits, which are as follow:

- a. For the company, PT. Baja Pertiwi Industri Medan, this research is to provide additional information and as material for consideration in making decisions related to human resources and performance appraisal of employee satisfaction and loyalty, this research would serve as a foundation for improving in the future so the results of this research can help PT. Baja Pertiwi Industri Medan, especially in the HRD section to become a company which has employees with high levels of satisfaction and loyalty.
- b. For the writer, this research would help the writer to improve the experience, understand and increase the knowledge about human resources with the aim that it will be useful when the writer comes to the world of work later by applying the knowledge of human resources that has been obtained in college.
- c. For the faculty of management, Universitas Pelita Harapan, Medan, the results of this research can be used as library material and add references for students and younger generations at faculty of economics, Universitas Pelita Harapan.

- d. For other researchers, this research would be able to stand as their references when other writers conduct a research on similar topic.

