

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

In the current era of globalization, competition in the business world is getting tougher, especially in the field of contractor suppliers. In Indonesia, the contractor supplier business is growing very rapidly. This makes the business must be able to compete with other businesses. One way companies can compete is by using the resources they have. Human resources are an important resource in a company (North Central College, 2021; Rasmussen University, 2022). Understanding the importance of the existence of human resources at this time, one of the efforts that must be achieved is to improve the quality of employee human resources through improving their performance.

Every company always expects its employees to have high performance because having employees who perform will make an optimal contribution to the company itself. In other words, the survival of a company is determined by the performance of its employees. The more important thing for companies today is to maintain their existence in the midst of increasingly competitive business competition. The way that can be done to maintain it is to pay attention to the factors that can affect employee performance. Factors that affect employee performance include work conflict, work stress, and work environment. Work conflict is a conflict that occurs between what is expected by a person from himself, other people, and the company with the reality of what is expected. It is undeniable that

every company has influence, even the ambitions of certain individuals and groups within it, so that differences in interests, differences in socio-cultural backgrounds, and education will easily cause misunderstandings between employees, which can lead to disputes. Worse, differences of opinion will lead to work conflicts between employees, causing discomfort at work. The higher the work conflict, the lower the employee's performance which can be accommodated through leadership (Haryanto et al., 2022).

On the other hand, the workload and company rules must be maintained and implemented as a form of commitment to the company and the achievement of company goals. As a result, employees will feel pressured (stress) in managing work which will affect the performance of employees in the company. Job stress is a state that creates a physical and psychological imbalance, which affects the emotions, thought processes, and well-being of employees. Stress can be bad for employees. One reason is that the stress has reached the "peak" category, resulting in employees being no longer able to produce optimal performance. This is due to the stress that occurs being very large and becoming the wrong role (dysfunctional). Furthermore, the employees' levels of stress are now increasing because of the growing competition which can have a positive influence on employees up to a certain level that can be handled and tolerable or else will have negative impact (Khuong and Yen, 2016) In this case the need for a work environment that can give the impression of fun, safe, peaceful, and so forth. If working conditions are good, then this can spur the emergence of a sense of satisfaction in employees which in turn can have a positive influence on their

performance.

Based on Diamantidis and Chatzoglou (2018) found out that a negative effect on the job environment will negatively impact employee performance directly. The work environment includes working relationships that are formed between fellow employees, working relationships between subordinates and superiors as well as the physical environment in which employees work. Good working environment conditions are one of the supporting factors for employee performance. The physical and non-physical work environment both affect employee performance. To balance the two requires awareness of the management of the company. Therefore, a conducive work environment is needed to support employee performance in carrying out their work, so that the work results obtained can be achieved optimally. Performance of employee in their task comprises of job explicit behaviors that consist of their basic job responsibilities which is part of their job description (Pradhan and Jena, 2016)

According to the results of observations made by the author, the obstacles faced by PT Inti Sukses Insani is the existence of work conflict factors which are one of the causes of ups and downs in work efficiency due to poor communication between employees, often causing misunderstandings, jealousy between coworkers, and hatred between coworkers. This is a problem that has not received special attention from the leadership. Inappropriate and wise conflict management has an impact on the atmosphere and comfort of work. This situation can continue to burden the employees themselves. The ability of employee to handle conflict is not the same for every individual, of course, it is very dangerous for employees who

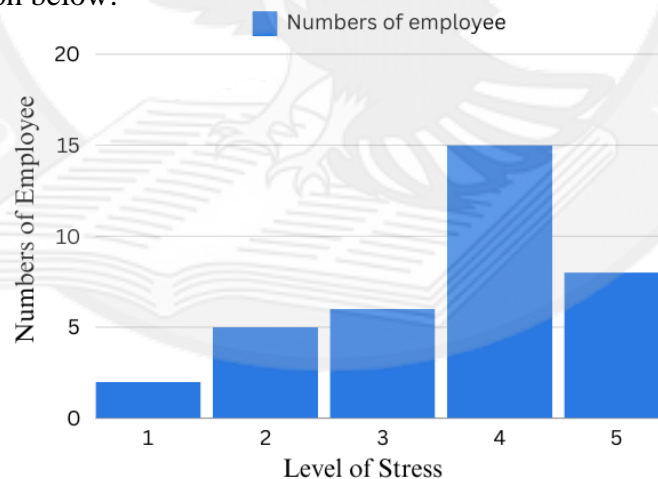
have a low resistance to conflict pressure, they will fall into a state of awry and then stress and have an impact on the work environment that becomes not conducive so that it disrupts employee performance. This is what has increased turnover from April 2023 to September 2023 at PT Inti Sukses Insani in Riau.

*Table 1.1 Employee Performance Data from April 2023 to September 2023*

Month	Employee	Work Day	Late (%)
April 2023	36	15	15.25
May 2023	36	22	22.25
June 2023	36	22	17.55
July 2023	36	21	19.23
August 2023	36	22	25.55
Sept 2023	36	21	26.02

**Source: PT Inti Sukses Insani**

In the table, it can be seen that the employee performance for six-month duration continues to increase due to work conflicts, work stress, and a work environment that is not conducive. At the end of 2023, PT Inti Sukses Insani conduct a survey on their employee regarding their stress level which can be seen from this graph below:



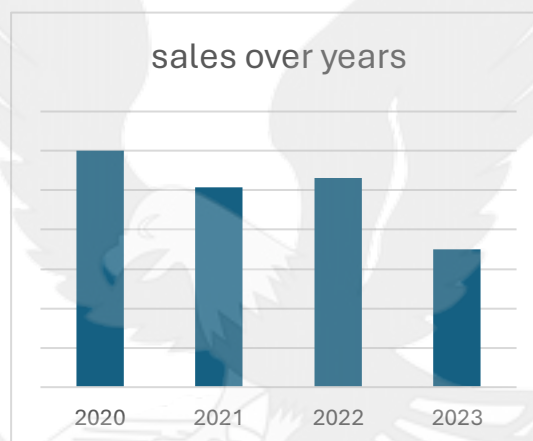
**Figure 1.1 Employee Stress Level**

**Source: PT Inti Sukses Insani**

The graph showing employee stress levels at PT Inti Sukses Insani paints a worrying picture, with more than half of the employees experiencing high stress

levels. This indicates a significant challenge within the company, as stress can have negative effects on both employees and the company itself. It suggests that employees may be facing issues like heavy workloads, conflicts with coworkers, or problems with the work environment.

This high level of stress seems to be taking a toll on the company's performance, as seen in the declining sales over the past years. This decline in sales is a clear sign that something needs to change within the company. It shows that employee stress isn't just a personal problem—it can affect the company's bottom line.



**Figure 1.2 Sales from 2020-2023**

**Source: PT Intri Sukses Insani**

To turn things around, PT Intri Sukses Insani's leadership needs to take action to address the causes of stress and improve the work environment. Employee at PT Intri Sukses Insani feels that conflict among workmate and work pitching. Also, company did not give any work life balance to employee that made them overwork but no compensation and incentive coming over. Employee performance decrease cause of stress at work, jealousy between employee, and bad environment support that make them stress over day by day. This could involve measures like promoting

work-life balance, fostering better communication, and creating a supportive workplace culture. By prioritizing employee well-being, the company can work towards improving performance and staying competitive in its industry. Against this backdrop, the research endeavor seeks to unravel the intricate interplay between work conflict, work stress, work environment, and employee performance within the context of PT Inti Sukses Insani in Riau, Indonesia. By delving into these multifaceted dynamics, the study aims to elucidate the underlying mechanisms driving employee performance and identify strategic levers for enhancing organizational effectiveness and competitiveness.

Through an empirical inquiry grounded in rigorous research methodology and data analysis, the study endeavors to generate actionable insights and evidence-based recommendations that can inform organizational decision-making, human resource management practices, and leadership strategies. By elucidating the determinants of employee performance and delineating pathways for fostering a culture of excellence and innovation, the research aspires to contribute to the scholarly discourse on organizational behavior, human resource management, and strategic management while offering tangible benefits for PT Inti Sukses Insani and the broader business community.

Based this description, it is the background for the author to conduct research with the title: **“The Influence of Work Conflict, Work Stress, and Work Environment on Employee Performance at PT Inti Sukses Insani in Riau”**



## **1.2 Problem Limitation**

Based on the background of the problems, described, this research has limitations such as:

1. The study focuses specifically on PT Inti Sukses Insani in Riau, Indonesia. Therefore, the findings may not be directly applicable to other regions or countries due to potential differences in organizational culture, business environment, and socio-economic factors.
2. The research is limited to the contractor supplier industry. While findings may have relevance to similar sectors, extrapolating the results to vastly different industries may not be appropriate due to variations in operational dynamics, employee demographics, and business models.
3. The study is conducted within a specific timeframe, primarily focusing on the years 2020 to 2022 for turnover data analysis and employee stress level assessment. Therefore, the findings may not capture long-term trends or changes that occur beyond this timeframe.
4. The research heavily relies on self-reported data, particularly regarding employee stress levels obtained from surveys. There may be inherent biases in self-reporting, such as social desirability bias or reluctance to disclose true feelings, which could impact the accuracy of the results.
5. While the study examines the influence of work conflict, work stress, and work environment on employee performance, it may not encompass all possible factors that could affect performance. Other variables such as leadership style, compensation structure, or individual characteristics of employees are not thoroughly investigated.

### **1.3 Problem Formulation**

Here are the problems of formulation that the writer has found during the research:

1. Does work conflict partially influence employee performance at PT Inti Sukses Insani, Riau?
2. Does work stress partially influence employee performance at PT Inti Sukses Insani, Riau?
3. Does the work environment partially influence employee performance at PT Inti Sukses Insani, Riau?
4. Do work conflict, work stress, and work environment simultaneously influence employee performance at PT Inti Sukses Insani, Riau?

### **1.4 Objective of The Research**

Here are some objectives of the research to solve the problem that's been found, which are:

1. To assess how work conflict partially influences employee performance at PT Inti Sukses Insani
2. To find out how work stress partially influences employee performance at PT Inti Sukses Insani
3. To figure out how the work environment partially influences employee performance at PT Inti Sukses Insani
4. To analyze how work conflict, work stress, and work environment simultaneously influence employee performance at PT Inti Sukses Insani.



## **1.5 Benefits of The Research**

According to the objectives and problems found during the research, the benefits are:

### **1.5.1 Theoretical Implication:**

1. Lays a groundwork for future researchers to delve into related areas and expand on these findings, thus enriching ongoing academic discussions.
2. Contributes theoretical knowledge by adding empirical evidence to the existing literature on the relationships between work conflict, work stress, work environment, and employee performance. It fills gaps in understanding and provides a more nuanced understanding of these dynamics within organizational contexts.
3. Inform the development and refinement of theoretical frameworks related to employee performance, work psychology, and organizational behavior. This can lead to the evolution of theoretical models that better explain the complexities of workplace dynamics.
4. Validate and strengthen theoretical concepts and constructs related to work conflict, stress, work environment, and their impact on employee performance. This enhances the robustness and applicability of theoretical frameworks in real-world settings

### **1.5.2 Practical Relevance:**

1. Provides actionable insights for organizational leaders and managers at PT Inti Sukses Insani and other similar companies. By understanding

the factors influencing employee performance, decision-makers can develop informed strategies to improve organizational effectiveness and achieve business goals.

2. Implementing targeted interventions to alleviate work conflict and stress, thereby enhancing the well-being and job satisfaction of employees. This can lead to higher levels of engagement, retention, and productivity within the organization.
3. PT Inti Sukses Insani can improve its overall organizational performance. Reduced turnover rates, increased productivity, and enhanced employee morale contribute to achieving business objectives and maintaining competitiveness in the industry.
4. Guide human resource practices such as recruitment, training, and performance management. Organizations can use this guidance to develop policies and procedures that foster a positive work environment and support employee performance.