

CHAPTER I

INTRODUCTION

1. Introduction

This chapter contains the problem discovered by the researcher and provides a background for a sample. In order to provide the basis for the study, the chapter introduces the whole research, the hypotheses and the problem statement. The chapter also discusses the scope of its study and the significance of the study to society in general, as well as the specific effects on management of the company.

1.1 Background of Study

In a successful organization nowadays, human resource is the most significant and precious asset of any organization, which is essential for healthy operation of all other resources of the organization (Salunke, 2015). Human resources who work in organizations today unlike in the past, are considered one of the most valuable assets an organization can acquire, maintain and develop in order to attain competitive advantage (Dessler, 2013). The success of the organization reaches its goals and goals are largely determined by manager's performance and employee performance (Ghofur, et al., 2017). Managing employees is one of the keys to the success of a business organization. The task of human resource managers in managing employees is about how efforts might be made to improve employee job satisfaction (Wibowo, et al., 2014). In order to improve employee productivity and

performance, companies need to pay attention towards the employee job satisfaction because higher level of job satisfaction leads to higher employee productivity and performance (Tio, 2014).

Employee's job performance has a great potential to help the organization achieve its goals (Rashid et al, 2014). In order to keep achieving competitive advantage over others by achieving organizational goals, employer should keep their employee in the top performance to perform well. Employee performance is the work quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him (Mangkunegara, 2000). All the work of employee was one of the responsibilities that they receive from employer to do specific job. Dessler (2002) said that employee performance is the actual achievement of employees compared to the expected performance of employees. An employee who has a good and better performance ready to help the accomplishment of the objectives and destinations set by the organization (Juliarti et al, 2018). The influence of employee performance is very big in determining the development of a company, to encourage employees to work well so as to improve job performance and achievement of organizational goals (Widagdo et al, 2018).

Job satisfaction is still important for organizations because employees, who are satisfied with their job, may display high effort in their jobs (Bakan & Buyukbese, 2013). The need for ensuring employee job satisfaction becomes a matter of necessity for every organization (Inuwa, 2016). The highly satisfied

workforce is an absolute necessity for achieving a high level of performance advancement of an organization (Pushpakumari, 2008). An individual who has good performance is supported by a high level of job satisfaction in his or her work since job satisfaction is one of the major concerns of the organization. According to Handoko (2001) job satisfaction is a pleasant or unpleasant emotional state by which employees view their work. Job satisfaction reflects a person's feelings about his work. Sukdeo (2017) also said a principal requirement for employee satisfaction is a workplace which enables employee to play out their work at an ideal dimension, in a helpful and agreeable condition. The working environment plays an integral role toward employee satisfaction as well as the impact of employee satisfaction on productivity. Employees with high job satisfaction certainly have high morale, so their work performance will be maximized as well (Changgriawan, 2017). So, in order to improve employee productivity and performance, companies need to pay attention towards the employee job satisfaction because a higher level of job satisfaction leads to higher employee productivity and performance (Tio, 2014).

The company also should maintain their compensation system inside the company to keep their employee feel satisfied to be in the company. Compensation is all that is received by employees who aim as remuneration for what the employee has done (Handoko, 2009). Salisu et al. (2015) also add that compensation is the reward workers receive for their service or contribution to the organization. An employer should manage any

compensation to satisfy the employee and also to make them perform at their best. Flippo (2002) said that the function of compensation is defined as the adequate and equitable remuneration of personnel for their contributions to the organizational objectives. According to Bernardin (2007) compensation being one of the factors that influences job performance is referred to like all forms of financial returns and tangible benefits received by an employee as a part of the employee-employer relationship. Effective compensation is relied upon to increase the value of employee satisfaction to stimulate workers to dependably work better (Darma and Supriyanto, 2017).

The work environment both physically and non-physically is very expected by employees, conversely, if the work environment is bad, employees do not have job satisfaction in him. The work environment can implicate the social relation at the workplace and also maintain the relationship between colleague, supervisor and the organization (Jain and Kaur, 2014). According to Sedarmayanti (2009), the definition of the work environment is the entire tool and material equipment faced, the surrounding environment in which a person works, his working method, and the work arrangements both as individuals and as a group. Robbins (2002) also add that employees pay great attention to their work environment, both in terms of personal comfort and ease of doing good work. The work environment which encompasses several factors impacts on the way the employees perform their work, a comfortable and all-inclusive workplace environment will boost the employees' performance hence boosting the organizational performance

(Nanzushi, 2015). Lankeshwara (2016) also add that the workplace environment gives an immense impact on the employees either towards the negative outcomes or positive outcomes. If they feeling well about their work they may give a good impact to the company such as giving a good performance.

Compensation has a positive influence toward Employee Performance, according to Pratama et al. (2015), they found that there is a significant positive influence between financial and non-financial compensation on the performance of employees of PT. Asuransi Jiwasraya (Persero). According to Ramzan Et al. (2014) Compensation has a positive impact on employee performance. It is proved from correlation analysis that all the independent variables have a weak or moderate positive relationship to each other. According to Amrullah (2012), he found that financial compensation and non-financial compensation partially had a positive and significant effect on employee performance. According to Masea (2016), The study indicated that equity-based compensation affects productivity at the SACCO to a very great extent. According to Siddiqi & Tangem (2018), They found out that compensation has a positive impact on employees performance.

Work Environment has a positive influence toward employee performance, In order to increase efficiency, effectiveness, productivity and job commitment of employees, the business must satisfy the needs of its employees by providing good working conditions (Raziq&Maulabakhsh, 2015). It is also supported by research by Rahmawati et al. (2014) they found

that physical and non-physical workplace has an effect on worker performance. As indicated by Kisanti (2013), working environment variable has a positive and critical impact on employee performance factors. According to Nugrahaningsih & Julaela (2017) working condition positively affects Performance through Job satisfaction as a intervening variable. According to Nanzushi (2015), he discovered that employees performance was impacted by a few workplace factors. Nanzushi discovered that employees were happy with their physical workplaces perspectives like furnishings, spatial formats, lighting and noise levels. According to Nadeem & Ahmad (2017), the surveyed managers of assembling organizations of Pakistan saw that workplace, supervisor help, worker ability, work aid have a decidedly connect and emphatically influence with every others. Likewise, Work environment and employee performance demonstrates a positive relationship.

Compensation has a positive impact toward employment satisfaction. As per Muguongo et al(2015) compensation assumes an imperative job in deciding employees satisfaction. It is also supported by research by Widyawati and Verawati (2016) they found that compensation has a positive effect and significant towards employee job satisfaction. According to Salisu (2015), the results of her study indicate that compensation has a positive effect on job satisfaction. According to Chaudry et al (2011), They found out that there is a positive relationship between compensation and employee job satisfaction. Employee job satisfaction is created because it is supported by compensation itself, salary satisfaction, work involvement, work inspiration

which ultimately impacts on increasing employee performance. According to Juliarti et al. (2018) compensation has a positive and significant effect on employee job satisfaction on PT. PAG. According to Mabaso & Dlamini (2017) compensation has a positive and significant effect on job satisfaction.

Work Environment has a positive influence on job satisfaction. According to Yunanda (2013), his study indicates a significant positive influence between work environment variables on employee satisfaction variables on employees. Which the better a company serve the employee by serving a good work environment it can make the employee more satisfying to work. According to Raziq & Maulabakhs (2015), the results of their study indicate the existence positive relationship between work environment and satisfaction employee work. According to Agbozo et al. (2017), They found out that most of the staff in the bank feel satisfied with the environment their work is mainly the atmosphere physical. According to Lukiyana & Halima (2016), they found that employee job satisfaction can improve employee performance, through company support by creating a work environment that is quite comfortable for employees. According to Sukdeo (2014), there is to be sure a solid connection between's employee satisfaction and efficiency on organizational performance.

Job Satisfaction has a positive influence on employee performance. According to Changgriawan (2017), his study shows the results of testing and analysis that has been done, it can be seen that the job affect the performance of employees. If the employee satisfied with their job they will give a good performance to the company. According to Shaju & Subhashini (2017), their

study shows there is a positive relationship between dimensions of job satisfaction and employee performance at the supervisory level and workers working in the car industry. According to Saeed (2016), the results of his study indicate that there is a significant positive influence from job satisfaction and knowledge sharing toward job satisfaction employees in the oil and gas industry. According to Akbar et al (2007), there is a positive and significant influence between Job Satisfaction on Employee Performance. According to Awan & Asghar (2014), the connection between job satisfaction and compensation bundles, job security, and reward systems are decidedly associated and employee satisfaction has an immediate and huge effect on worker performance.

In this research, the researcher wants to know the impacts of the usage of compensation and working environment on the performance through job satisfaction in PT Madubaru, Bantul, Yogyakarta. The author is keen on conducting research with the title " The Influence of Compensation and Work Environment On Employee Job Performance Through Job Satisfaction In PT Madubaru, Yogyakarta".

1.2 Research Problem

The problem can be formulated as follows based on the background of the problems described above:

- 1) is there any positive influence of compensation toward employee satisfaction?

- 2) is there any positive influence of work environment toward employee satisfaction?
- 3) is there any positive influence of job satisfaction toward employee performance?
- 4) is there any positive influence of compensation toward employee performance?
- 5) is there any positive influence of work environment toward employee performance?
- 6) Is there any positive influence of compensation toward employee performance through job satisfaction?
- 7) Is there any positive influence of work environment toward employee performance through job satisfaction?

1.3 The purpose of the research

The intention and purposes of this research are namely to:

- 1) to identify the positive influence of compensation toward employee satisfaction.
- 2) to identify the positive influence of work environment toward employee satisfaction.
- 3) to identify the positive influence of job satisfaction toward employee performance.
- 4) to identify the positive influence of compensation toward employee performance.
- 5) to identify the positive influence of work environment toward employee performance.
- 6) to identify the positive influence of compensation toward employee performance through job satisfaction
- 7) to identify the positive influence of work environment toward employee performance through job satisfaction

1.4 The benefit of the research

1.4.1 For the researcher

This study gives the researcher an additional knowledge regarding the research of the study, the importance of compensation, working environment, to the employee performance in the workplace through job satisfaction of the employee.

1.4.2 For the company

The result of this study can be used by the company to evaluate their service and facilities to create a good working condition also to maintain their compensation system in accordance to keep employee give a good outcome for the company

1.4.3 For the next researchers

This research expected to be able to give additional information that can be useful to the future researcher to do research regarding this topic.