

## CHAPTER I

### INTRODUCTION

#### 1.1. Background of The Study

In the globalization era, the competition in the industry is getting higher. Organizations compete to achieve the most out of their performance. The competitive environment causes an organization to keep improving its performance continuously. However, the performance of an organization comes from the performance of employees itself because human resources become the most important resource in the organization. Because of that, human resource is becoming the key to achieve the success in organization. An individual who has a 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. It affects organizational outcomes like employee performance and productivity, absenteeism and turnover (Onukwube, 2012).

The satisfaction in individual's job can be achieved when the individual and working aspects are supporting each other so that the job satisfaction itself is derived from how individual feels towards his or her job. Creating a supportive work environment is a necessity for organizations expecting job satisfaction (Mokaya et al, 2013). If an employee has fulfilled his or her satisfaction towards their job, the performance can gradually

become more productive. It is proven by Javed *et al.* (2014) that stated job satisfaction positively affects employee's job performance. In other words, job satisfaction becomes one of the factors that can support an organization's performance.

In order to boost employees' performance, according to Mathis & Jackson (2007), the effort to be done is to improve the compensation, which is an important factor affecting how and why people work in an organization and not in other companies. Golongom *et al* (2016) showed that compensation has a significant and positive influence on employee's performance. Because of that, the organization should take this carefully and selectively since it influences the increasing level of employees' performance. So, the organization should give appropriate amount of compensation to its employees as their remuneration towards their contribution to the organization.

Increasing employees' performance is not only achieved by giving compensation but also providing other supporting factor, which is a good work environment. The organization has to ensure the factors that are related to the employee's performance are fulfilled optimally, one of the factors is work environment (Sinungan, 2003). A comfortable work environment can lead to the increasing level of performance. It influences the way employees do their task on their work. The better the work environment, the better the performance they could produce. Vischer (2008) stated that conducive environments should be prioritized as it provides support for the employees

in carrying out their jobs. It is proven by Kiruja & Karanja (2013) that there is a direct relationship between work environment and performance of employee: when work environment is conducive, employee performance increases and therefore work environment is an important predictor of employee performance.

Job satisfaction is particularly important in the service industries since it involves direct contact with customers and thus has a direct influence on company performance (Juan *et al.* 2011). As TRAC-Astra Rent a Car, which is the subsidiary of PT Serasi Autoraya and part of PT Astra International Tbk, is becoming the leading transportation solution service provider in Indonesia for more than 28 years of experience. As the market leader, it intends to provide a variety of solutions for customer needs. To achieve its intention, it needs to maintain their performance through their employee's job satisfaction, which is influenced by the compensation and work environment. These factors lead them to achieve their success and maintain their image as the market leader. Therefore, all those explanations above become the basis of this study.

## **1.2. Problem Identification**

The problems are identified as follow:

1. Determine if there is an influence of compensation towards job satisfaction on employees of PT TRAC-Astra Rent a Car
2. Determine if there is an influence of work environment towards job satisfaction on employees of TRAC-Astra Rent a Car

3. Determine if there is an influence of compensation towards performance on employees of TRAC-Astra Rent a Car
4. Determine if there is an influence of work environment towards performance on employees of TRAC-Astra Rent a Car
5. Determine if there is an influence of job satisfaction towards performance on employees of TRAC-Astra Rent a Car
6. Determine if the indirect influence of compensation towards employee performance through job satisfaction is greater than the direct influence of compensation to performance of employee at TRAC-Astra Rent a Car
7. Determine if the indirect influence of work environment towards employee performance through job satisfaction is greater than the direct influence of work environment to performance of employee at TRAC-Astra Rent a Car

### **1.3. Problem Formulation**

In accordance of problem identification, the problems are formulated as follow:

1. Is there any influence of compensation towards job satisfaction on employees of TRAC-Astra Rent a Car?
2. Is there any influence of work environment towards job satisfaction on employees of TRAC-Astra Rent a Car?
3. Is there any influence of compensation towards performance on employees of TRAC-Astra Rent a Car?

4. Is there any influence of work environment towards performance on employees of TRAC-Astra Rent a Car?
5. Is there any influence of job satisfaction towards performance on employees of TRAC-Astra Rent a Car?
6. Is there any influence of compensation towards performance through job satisfaction on employees of TRAC-Astra Rent a Car?
7. Is the indirect influence of compensation towards employee performance through job satisfaction greater than the direct influence of compensation to performance of employee at TRAC-Astra Rent a Car?
8. Is the indirect influence of work environment towards employee performance through job satisfaction greater than the direct influence of work environment to performance of employee at TRAC-Astra Rent a Car?

#### **1.4. Problem Limitation**

The result of this study and the generalization of those results may be limited because of several factors, which are:

1. The population and sample of this research are limited to only the employees of TRAC-Astra Rent a Car
2. The results are limited to employees' personal understanding and ability to answers the questionnaire

3. The results and conclusion may be limited based on the unique factors associated with the TRAC-Astra Rent a Car and those may be different with other companies

### **1.5. Research Objective**

1. To test if there is an influence of compensation towards job satisfaction on employees of TRAC-Astra Rent a Car
2. To test if there is an influence of work environment towards job satisfaction on employees of TRAC-Astra Rent a Car
3. To test if there is an influence of compensation towards performance on employees of TRAC-Astra Rent a Car
4. To test if there is an influence of work environment towards performance on employees of TRAC-Astra Rent a Car
5. To test if there is an influence of job satisfaction towards performance on employees of TRAC-Astra Rent a Car
6. To test if the indirect influence of compensation towards employee performance through job satisfaction is greater than the direct influence of compensation to performance of employee at TRAC-Astra Rent a Car
7. To test if the indirect influence of work environment towards employee performance through job satisfaction is greater than the direct influence of work environment to performance of employee at TRAC-Astra Rent a Car

## **1.6. Research Contribution**

The results of this study are expected to give benefits to these parties:

1. For researcher

This study has helped the researcher to apply knowledge that has been learned, have a better understanding on relevant theories, and apply all of those in the form of thesis.

2. For organization

This study is expected to be used as consideration by PT TRAC-Astra Rent a Car in managing their performance in regards to the form of compensation, work environment, and employees' job satisfaction.

3. For institution

This research is expected to give more data and reference for the institution in order for the future researcher in there have a better research.

## **1.7. Definition of Terms**

This research used specific definition of several terms; compensation, work environment, job satisfaction, and performance, to make the same perception of definition between researcher and the readers.

1. Compensation

Compensation is the total amounts of benefits employees receive as a service they have provided (Mondy, 2010).

## 2. Work environment

Work environment is the aspect that act and react on the body and mind of employee (Jain & Kaur, 2014).

## 3. Job satisfaction

Job satisfaction is an attitude or emotional response to one's job (Luthans, 2006)

## 4. Performance

Performance is something that employee do to organization, which influences how much they contribute to the organization (Mathis & Jackson, 2007).

### **1.8. Systematic of Writing**

This research contains five chapters to provide clear explanation and discussion about the idea of this research:

#### **CHAPTER I : INTRODUCTION**

This chapter contains the background of the study as the introduction to this research and general explanation about the problem statement covered in this research, the reasons why this study needs to be conducted, and the significance of the study, purpose and contribution of this study in general.

#### **CHAPTER II : LITERATURE REVIEW**

This chapter contains discussion about the relevant studies on the topic, general explanation about human resource management, and academic explanation about compensation, work

environment, performance, and job satisfaction. It also discusses about the theoretical framework and the relationship between each variable.

### CHAPTER III : RESEARCH METHODOLOGY

This chapter contains description about the method used in this study and how this research is going to be done and analyzed. It also covers about how the data is being collected, analyzed, what tools that are used, and how the data will be presented.

### CHAPTER IV : DATA ANALYSIS AND DISCUSSION

This chapter contains the tabulation of data, the data analysis using statistical method, and the results. The results were used to test whether the hypothesis is accepted or rejected.

### CHAPTER V : CONCLUSION AND RECOMMENDATION

This chapter contains summary of the findings, conclusion of this research, and recommendation. All these three parts in this chapter will verify the hypothesis in this research.