

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1. Background of the Study**

Human resource is one of the most important assets for all organizations. Human resources have been defined from the national point of view as, "the knowledge, skills, creative abilities, talents and aptitudes obtained in the population: whereas from the view point of the individual enterprise, they represent the total of the inherent abilities, acquired knowledge and skills as exemplified in the talents and aptitudes of its employees." To stay profitable in a highly challenging and competitive global market economy, companies should manage all factors of production wisely. These factors include money, materials, market, method, machine, and men. Among the factors of production, the human resource is considered the biggest challenge to manage because unlike other factors, employee management requires skillful handling of thoughts, feelings and emotions to improve productivity.

Effective human resource management is the key element in the success of an organization. In wording of Sheldon in Kaur (2014), "No industry can be rendered efficient so long as the basic fact remains unrecognized that is human". Each individual at work has different gender, age, religion and different educational or social background. With those differences, individuals in the workplace will exhibit much dissimilarity on characteristics and behavior. Even technology cannot bring the desired change in economic performance of the country unless human potential is fully utilized for production. Therefore management must put their attention not only on the organizational process but also employees and their needs.

Reaching performance to the highest level becomes more and more of a challenge due to the continuous development of the companies and the continuous increase of the market standards. Companies not only must provide quality of the service and products to the customers, but also provide a satisfactory workforce for the employees to do their best. Performance of an organization will decrease if the employees have poor job performance, and will eventually affect the profitability of the business. In order to overcome this problem, companies must be able to develop strategies to improve employees' job performance. The strategies that companies can implement in order to improve employees' job performance include practicing effective communication and creating a nice and comfortable environment in the workforce.

Effective communication plays a vital role in affecting employees' job performance. Apart from intelligence, productivity and dedication, effective communication is important in achieving success as it is needed to carry out business activity. It is unimaginable to have a workplace environment wherein employees do not communicate to each other. Researches indicate that organizations cannot meet their goals unless they have effective communication. According to Balondi (2006), effective internal communication keeps the employees on track and it increases the financial performance of the companies. In his research study, he confirms that companies with effective communication, their market value increases by 20 percent. Research has also shown that communication improves employee job performance (Goris, 2007), while poor communication results in low employee commitment to the organization (Kramer, 1999).

In a high-performance workplace, leaders communicate regularly with employees to provide direction on what tasks need completion. By resolving problems quickly, leaders minimize disruptions and allow

employees to focus on job tasks. This helps build strong relationships between employees, and reduces conflict. Leaders who establish procedures for making decisions, analyzing problems and incorporating process improvements help employees work more effectively. Effective leaders communicate a clear vision to ensure the employees work towards achieving the same results. By defining roles and responsibilities of each individual, they can prevent multiple people from doing the same task, which is inefficient and unproductive.

The environment where employees do their work can also affect the job performance of employees. Working environment is argued to impact immensely on employees' job performance either towards negative or the positive outcomes (Chandrasekar, 2011). It is not just coincidence that new programs addressing lifestyle changes, work/life balance, health and fitness - previously not considered key benefits - are now primary considerations of potential employees, and common practices among the most admired companies. Poor work environment will cause the employees to be less productive, and even cause them to consider resigning and moving on to a new job, which will be costly for the company. It can also cause negative remarks about the company to be spread, thus creating damage to the company's reputation. In contrast, a proper workplace environment helps in reducing the number of absenteeism and thus can increase the employees' performance which leads to increased productivity at the workplace (Boles, Pelletier, & Lynch, 2004).

Working environment can be divided into two components namely physical and behavioral components. The physical environment consists of elements that relate to the office occupiers' ability to physically connect with their office environment. The behavioral environment consists of components that relate to how well the office occupiers connect with each

other, and the impact the office environment can have on the behavior of the individual. According to Haynes (2008), the physical environment with the productivity of its occupants falls into two main categories; office layout (open-plan verses cellular offices) and office comfort (matching the office environment to the work processes), and the behavioral environment represents the two main components namely interaction and distraction.

Referring to an informal interview with the manager of HR department at PT Duta Pangan Nusantara, the company is facing difficulties in managing their employees' job performance. The manager felt that some employees have poor performance such as misunderstanding the direction, and absenteeism. According to the manager, those behaviors are caused by several reasons. Some of them include lack of communication and level of comfortability in the workforce. Lack of communication will affect the employees' job performance in a negative way, because there is a misunderstanding among the employees and the result will likely to be different than the expectation. In similar, if the work environment is not comfortable enough for the employees, they will tend to be reluctant in doing their job even to the extent of not working at all. This phenomenon will further decrease the company's operational and financial performance if it is not resolved immediately.

This study will examine the impact of effective communication and work environment on employees' job performance at PT Duta Pangan Nusantara. The company is a snack manufacturer located in Gresik, Surabaya, with 60 office staff. Researcher will use the office staff as the research sample because it is more suitable with the variables identified. Through this study the employer will get to know how its communication and work environment impact greatly on the employees' level of job performance.

## **1.2. Research Questions**

From the background described, questions are formulated as follows:

- a. Does effective communication have impact on employees' job performance at PT Duta Pangan Nusantara?
- b. Does work environment have impact on employees' job performance at PT Duta Pangan Nusantara?

## **1.3. Objectives of the Study**

The objectives of the study are described as follows:

- a. To examine the impact of effective communication on employees' job performance at PT Duta Pangan Nusantara
- b. To analyze the impact of work environment on employees' job performance at PT Duta Pangan Nusantara

## **1.4. Significance of the Study**

### **1.4.1. Theoretical Significance**

It is anticipated that the findings of this study can broaden the concept or theory that support the development of human resource management, especially relating to the impact of effective communication and work environment on employees' job performance. The findings can also be served as a reference material for future researches in this area.

### **1.4.2. Practical Significance**

The study is expected to provide information and suggestions for PT Duta Pangan Nusantara on planning strategies to improve their employees' job performance, specifically through implementing effective communication and better work environment.

## **1.5. Writing Systematic**

The systematic of this research are mentioned below:

### **CHAPTER 1. INTRODUCTION**

This chapter discusses the background, research questions, research objectives, significance of the study and writing systematic of the study.

### **CHAPTER 2. LITERATURE REVIEW**

This chapter presents the previous study, theoretical background, relationship among variables and hypothesis.

### **CHAPTER 3. RESEARCH METHOD**

This chapter describes the process of analyzing the data including research design, identification of variables, operational definition, type and source of data, variables measurement, data collection method, population, sample and sampling technique, and data analysis technique.

### **CHAPTER 4. DATA ANALYSIS AND DISCUSSION**

This chapter consists of research data description, data analysis, and discussion, also discussing about respondent description, research variable statistic descriptions, as well as hypothesis testing.

### **CHAPTER 5. CONCLUSION AND SUGGESTION**

This chapter is the closing of this study that consists of conclusion of the research and suggestion for the research object and for researchers who are interested in doing further research.