

CHAPTER 1

INTRODUCTION

1.1. Background

Nowadays business has become an very competitive environment. According to Kogut (1999) in Nitharshan (2016), competitive strength is a key factor to maximize profit by lowering the cost than competitors. Therefore, HRM has been viewed as a significant way to lower the cost of human capital and improve the organization's wealth (Ibrahim, (2006) in Nitharshan (2016)).

Performance is a picture of achievement that implemented to activity / program / policy in realizing achieve, goals, mission, vision from the organization (Bastian 2014: 274 in Pandaleke (2016)). The performance must be known and informed to certain parties so that information can be obtained about the level of achievement of the results of an agency and to know the positive and negative impact of an operational policy taken. Given information on performance it will take the necessary actions such as correction of established rules, management and training of workers as materials for planning and to determine the success rate to increase corporate profits. When increasing employee performance the HR manager also face many problem, such as the diffrent level of competency, background, diffrent religion, diffrent salary, and much more for example when company have good worker that have competency and let say he is the best seller in that company. Other problem will appear if he stay at that company ? how we make him stay and keep performing well ? if we give all what he want of course he will fell that he important, and as the effect he's performance will decrease. This will affecting profit of the company. To prevent this kind of problem HR should give that people enough motivation,

enough salary, enough facility but not more and less. If they feel match with all of it then he will have good reason to stay.

Competency plays a vital role in improving performance of employee/worker. These people need to learn a new set of knowledge, skills, and attitudes to survive from the changing business environment. Competency according to the LOMA Competency Dictionary (1998) in Lasmahadi (2002) in Pandaleke (2016), competency is defined as the personal aspects of an employee / worker that enable him to achieve superior performance. These personal aspects include motives, traits, value systems, attitudes, knowledge and skills in which competence will guide behavior, whereas behavior will lead to performance. The workforce should have willingness to learn and develop knowledge, skills, and attitudes. On the other hand competency also make people selfish and not loyal.

Competency is something important but on other side it also have bad effect if employee have enough competence so they will able to do their work as company expected, or even higher. On the other hand employee will also start to think that they have enough competence why I don't looking for other company that will give me higher salary, more facility, and holiday or something else. In one side their performance will increase but on other side their performance will decrease or even leaving the company.

According to Meyer and Allen (1990) and Meyer (1997) in Rumasukun et al (2015) and view commitment as "a force that binds an individual to a target (social or non-social) and to a course of action of relevance to that target. Many company want to increase their profit and minimalism the cost, but they still don't want to hire HR people. HRM is

something important in a company and have a big role in managing the worker in the company. HRM is very big and complex, HRM is covering such as salary, increase worker performance (training), motivating, consulting and many more. The company will get benefit from hire HR for example: By increasing employee/worker performance it will affect the production quantity and will reduce the cost for over hour. And by giving match salary, facility, and allowance it will reduce the possibility of employee move to another company.

PT. Ayari Persada is a company who implement HRM strategy inside their company. This company engaged in health care especially mechanical and electrical and communication network. This company sell health machine such as X-Ray and MRI machine and communication network such as nurse caller and the installation. This company established in 2012. For the begining the owner of PT. Aryani Persada see that indonesian people is pretty much but the health facility is still less, so he try to buy it from other country and lend it to new hospital. But time to time the demand is increasing and the company growing up. PT. Ayari Persada hire HRD people (Human Resource Development) to minimalism the cost of employee salary and make employee performance is stable or even increase, so that the company just need to spend a little amount of money but they get a lot of increasing in selling. Time to time people change from a loyal to become selfish, they only care about their self. In this case is about salary, facility and allowance. HR always develop employee performance by giving training, product knowledge, and many more so that their employee will have competency in their work position.

For example: For seller they should know what kind of product that they sell, what is the advantage of the product compare to the competitor

and how to sell that. But after they have enough knowledge they will start to think ‘why I don’t move and looking for other company that give me higher salary ?’ Many employee that have competency will move from one company to other company just because they give a little bit higher salary. This happened in most company especially in Indonesia.

From this case we can see that HR is very important to control employee and increase the performance. Because if there is something or problem that appear within worker or with company so their performance will decrease and it can be something worse. Imagine if PT.Ayari Persada don’t have HR departement, it can be more complicatet. Even HRM is very very important but there are people who still don’t know about it such as the owner of new business, or even HRD people (Human Resource Development) so here the researcher want to make it clear what the effect of using HRM strategy especially about competency, and organizational commitment to the employee performance.

1.2. Research Question

From the background and problem statement, the research question as follows:

- a) Does the employee competency effect job performance at PT. Ayari Persada Company ?
- b) Does the employee competency effect organizational commitment at PT. Ayari Company ?
- c) Does the organizational commitment effect employee job performance at PT. Ayari Company?

1.3. Objective of the Study

From the background and problem statement, the objective of the study is as follows:

- a) To determine the effect of employee competency to employee job performance at PT. Ayari Company.
- b) To determine the effect of employee competency to organizational commitment at PT. Ayari Persada
- c) To determine the effect of organizational commitment to job performance at PT. Ayari Persada

1.4. Significance of the Study

From the background above the significance of the study is :

- a) For customer

This exploration is expected to provide additional information about Ayari Company and their HRM management. This will give a sneak peak or an insight of how PT. Ayari Persada run their business from their HRM process. Also will give costumers learning about how a company grow up by the strategy they implemented.

- b) For “PT. Ayari Persada”

This exploration may help Ayari Company to improve their strategy. With this exploration we may seek problems of their strategy and able to consider or take the inputs of researcher’s suggestions.

- c) For researcher

This exploration is to increase knowledge of HRM strategy and how it is implement. So, the researcher can know what kind of strategy that is need to be implemented.

1.5. Writing Systematic

The systematic of writing this study is divided into five chapters and arranged as follows :

CHAPTER 1 : INTRODUCTION

This chapter consist of background of the study, research questions, research objectives, significant of the study, and writing systematic of this study.

CHAPTER 2 : LITERATURE REVIEW

This chapter presents the previous study, relevant journal, theoretical background and hypothesis. The theoretical background explains about competency, job performance, organizational commitment, and the relationship among variables.

CHAPTER 3 : RESEARCH METHODOLOGY

This chapter describes the process of analyzing data including research design, identification of variable, operational definition, type of source data, variable measurement, data collection method, population, sample and sampling technique, data analysis technique, validity and reliability, fitness model task, and hypothesis testing.

CHAPTER 4 : ANALYSIS AND DISCUSSION

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

CHAPTER 5 : CONSLUSION AND SUGGESTION

This chapter is the closing of this study that consists of conclusion and suggestion for the research object and for the consumer or researcher to do a further research.