

CHAPTER 1

INTRODUCTION

1.1. Background

The main goal of a business organization is how to earn profit as many as they can, because the profit later on will be used to run the organizational activity of the business organization such as production activity, supplying raw material activity, distributing the product for the manufacturing organization, compensating the workforces, paying the taxes, and many others. Profit is also needed by the organization in order to expand their business organization, the aim of the organization to be expanded their business is to get more profit. Without profit a company will go bankrupt and will result many losses for the owner, worker, and the third parties of the company, and the other parties that have any business relation with the bankrupt organization.

Therefore, it is not easy to get many profit because there are many factors and aspects that have to be fulfilled by the company to earn profit such as the added value of the product or service from the company, advertisement, production capacity, and then customer satisfaction, how the organization fulfil the demand of the customer, and many others.

In order to get profit, organization must fulfil the customer need. Because the customer is the one who pays for the product or services of the company, that is the source of the profit of a company. In order to fulfill the customer demand of the product, the organization must have a good operational activity. One example of the operational activity of an organization is the production activity, to fulfill customer demand the company must have a high productivity level. The productivity level of a company is related to the worker performance, it was shown from the theoretical study according to Gibson (1991) that the ability and motivation affect the performance that will further affect the productivity itself. Another example of organizational activity in a company is how the cashier treat the customer when they come to shopping, because the cashier will directly interact with the customer. The customer comfortability will affect whether the customer will come again or not, or even will the customer will buy anything or not. That is why how the cashier doing their job is really important for the company activity. Therefore, in order to maintain the performance of the company, the company must have a competent human resources.

Human resources are certain resources that are used in a company to mobilize and synergize other resources to achieve organizational goals. In a company it is needed a competent human resources or in other words it can be said as competent employee to support all the company activities. Company must organize the employees so the employees are doing their job according to the job description and job specification to achieve the goals that has been stated by the company. The worker must be work in accordance with the job description and job specification, but sometimes the worker does not do their work properly and it will affect the organization activity. That is why it is important to assess and evaluate the worker performance.

Miss Bake is one of the Small Medium Enterprise (SME) in Yogyakarta that is focusing their business on making cake such as cookies, bread, pastry, cake, and tart. Miss Bake basically is a home industry company, it is categorized as SME because according to Republic of Indonesia Law No. 20 of 2008 concerning about micro, small, and medium enterprise article 5 stated that the business enterprise that has a net worth of more than IDR 50,000,000 and has annual sales result more than IDR 300,000,000 is categorized as small medium enterprise, Miss Bake already fulfilled that requirement to be categorize as the SME. Miss Bake has 8 workers in order to support the activity of company, the workers are separated into several positions which are head of production, cashier, admin, and production worker. Mrs. Intan Sari Dewi as the owner of Miss Bake wants to find out about how was her employees doing their job. She wants to doing an assessment about how are the work of the employee. Also if there are exist something that is not appropriate with the performance of the worker that will be known from the performance appraisal activity, there will be an evaluation and correction from the owner to the worker. It is important to know the problem and then doing the improvement to overcome the problem, so the problem will not interfere the company activity. Beside that Mrs. Intan wants to see the importance level of the criteria needed to perform the job in a certain position to see which aspects influence the job of the certain position more. After knowing which criteria influence more, it will help Mrs. Intan to determine which aspects are essential for a certain position, which aspects need more attention and finally it will maximize the activity in a certain position.

The problem in Miss Bake is the company does not have any specific performance appraisal instrument to assess how is the performance of the worker in doing their

job in Miss Bake company. In order to doing the performance appraisal for the worker, Mrs. Intan just doing the assessment based on the critical incident that happen, and also from the other worker report. According to Mr. Eko Witoyo Head of Domestic Trade in the Department of Industry, Trade, Cooperative, and SME in 2015 in Daerah Istimewa Yogyakarta (DIY) the number of SME in 2015 is 83,000 and 50% from that number is dominated by SME in the culinary and beverage fields. The data about the culinary and beverage SME in DIY shows that the competition becomes more intense for Miss Bake since Miss Bake also categorize as a culinary and beverage SME in DIY. Because of the intense competition Miss Bake has to maintain their business activity especially the employee since the employee plays an important role in the business activity of the company. However, according to Mrs. Intan since the official store is opened on July 2017 there are already 6 employee turnover it means until now every 2 months there is 1 employee turnover in Miss Bake because of several reasons, and most of the reasons are a simple reason for example because following her friend and feeling bored. If the employee turnover continues to happen like that it will interfere the activity in Miss Bake, because the new employee will need time to adapt with the workflow in Miss Bake and also the ability of the new worker probably does not the same with the ability of the old employee. In order to reduce the employee turnover Mrs. Intan wants to give incentives or bonuses to the employee to increase the motivation and loyalty of the worker on working in Miss Bake but she does not have any guideline to give the incentives or bonuses as stated before. The high intensity of the competition in DIY also make the competency of the employee has to meet the requirement stated by the company or exceed that requirement. There are several ways to improve the competency of the employee such as training for the worker, correction or suggestion for the worker is there exist any lack in the performance of the worker. According to Grote (2002) performance appraisal purposes are providing feedback to employees about their performance, facilitating decisions concerning pay increases, promotions, layoffs, and determining individual and organizational training and development needs. In other word a good performance appraisal instrument will lead to a good performance appraisal activity and will help the company to improve organizational performance in order to survive in an intense business competition.

1.2. Problem Formulation

From the background, the problem formulation are as follows:

- a. The organization does not have any specific performance appraisal instrument to assess the employee.
- b. There is no level of importance for the criteria related to perform the job in a certain position, so Mrs. Intan does not know what criteria is need to get more attention in order to maximize the activity in a certain position

1.3. Objectives

This research focuses on designing the performance appraisal instrument in Miss Bake in order to assess the performance worker. The specific objectives of this research are:

- a. Formulating Performance Appraisal instrument for the employee in the Miss Bake.
- b. Determining the importance level for every criteria in the performance appraisal instrument that effect the job itself.

1.4. Limitations

The limitations of the research are:

- a. This research will be conducted in order to design the performance appraisal instrument for Miss Bake especially for the employee.
- b. This research uses Miss Bake, in order to illustrates the performance appraisal instrument in the SME.