

## **CHAPTER 1 INTRODUCTION**

### **1.1 Description of research object**

#### **1.1.1 History of PT. Pertamina (Persero) Refinery Unit VI Balongan**

PT. Pertamina (Persero) Refinery Unit VI Balongan is a refinery sixth of the seven refineries of the directorate of PT. Pertamina (Persero) with Its main business activities are processing crude oil into forms of BBM (Oil Fuel), Non-BBM and Petrochemicals. Refinery Unit VI Balongan began operating since 1994. The refinery is located at Indramayu district, West Java Province, around  $\pm$  200 KM east of Jakarta, with the Balongan, Mundu and Salam Darma operating areas. Raw materials that has been processed in refineries at RU VI Balongan are Duri and Minas crude oil originating from Riau province.

In connection with efforts to secure national policies in the energy sector, the existence of the Balongan refinery has a great meaning, not only for PERTAMINA but also for the nation and state, on one hand it can increasing domestic processing capacity which is still very high needed, on the other hand this can also overcome the obstacles of difficulty exporting some types of oil in the country by processing it in oil refineries domestic. The existence of the Balongan refinery is also a proactive step for PERTAMINA, to be able to take advantage of oil export opportunities abroad especially the Asia Pacific region.

From the feasibility study carried out by the construction of the Balongan refinery held with goals including:

1. Solving domestic fuel needs, especially Jakarta and around it.
2. Increasing added value by utilizing export outsiders.
3. Solve the difficulty of marketing thorn type crude oil.
4. Regional development.

Balongan was chosen as the refinery location and refinery project called Project EXOR (Export Oriented Refinery) I. Selection of Balongan as the EXOR I project location based on:

1. Relatively close to the biggest consumers of BBM (Fuel Oil), namely Jakarta and West Java.
2. Availability of supporting facilities, namely the UPPDN Depot (Marketing Unit) Domestic) III and UEP terminal (Exploration and Production Unit) III, Conventional Bouy Mooring (SBM).
3. Close to natural gas sources, namely UEP III and ARCO. In harmony with the BBM pipeline project on the island of Java.
4. Availability of land needed, namely ex-rice fields that are lacking productive.

### **1.1.2 Logo of PT. Pertamina**

Pertamina has several changes in their logo since 1961. Eventually, in 2006 Pertamina officially has a logo such as in figure 1.1.



**Figure 1. 1 Logo Pertamina**

*Source: [www.pertamina.com](http://www.pertamina.com)*

The meaning of the Pertamina logo:

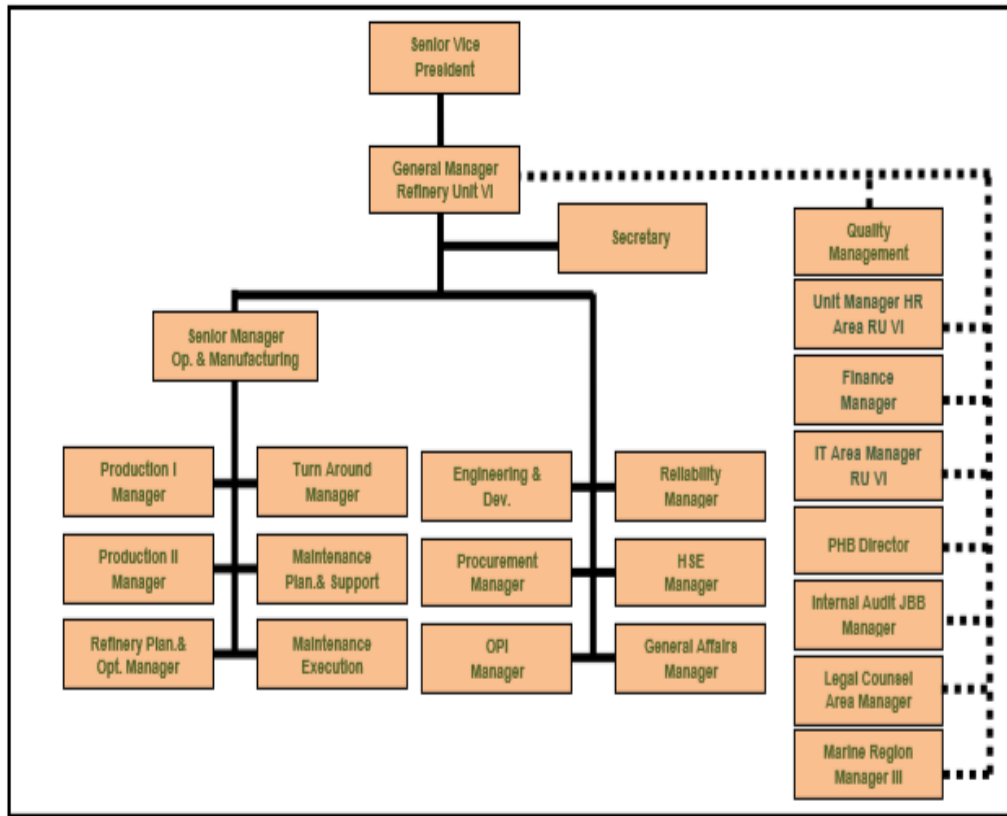
1. Blue means reliable, trustworthy and responsible.
2. Green has the meaning of energy resources that are environmentally sound.
3. Red means tenacity and firmness and courage in dealing with various difficulties.

Graphic symbols have the meaning:

1. The form of arrows illustrates the aspirations of Pertamina's organization to always move forward, forward and progressive.
2. This symbol also indicates the letter "P" which is the first letter from Pertamina.

- Three colored elements symbolize islands with various scales which are forms of the Indonesia.

### 1.1.3 Organizational structure



**Figure 1. 2 Organizational structure**

*Source: Sustainability report 2017*

In picture 1.2, it can be seen that PT. PERTAMINA (PERSERO) RU VI Balongan has an organizational structure that explains the working relationship between parts of one another and also regulates the rights and obligations of each part. The purpose of making an organizational structure is to clarify and reinforce the position of a part in carrying out the task so that it will be easier to achieve organizational goals that have been set. The organizational structure is made in accordance with the goals of organization itself. The organizational structure of RU VI Balongan consists of several parts that have their respective functions and responsibilities.

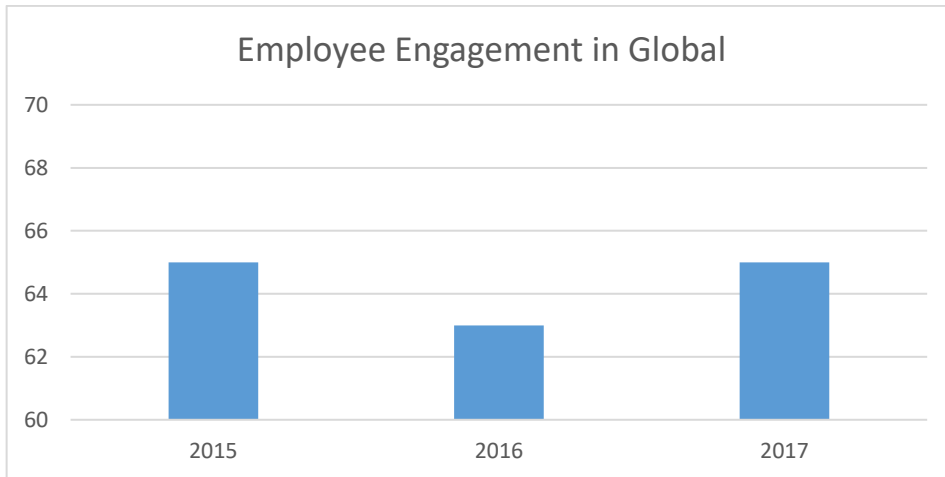
Towards Asia’s Leading Refinery in 2025 become the theme for Pertamina RU VI Balongan at this time which is a big hope and goal for PT Pertamina itself,

because with the high achievement will maximize work for all existing workers, besides PT Pertamina RU VI Balongan get PROPER achievement for three years respectively PROPER is "Corporate Job Rating Assessment Program" In 2013-2014 got GREEN PROPER, In 2014-2015 got GOLD PROPER and 2015-2016 got GOLD PROPER and several other achievements. PT Pertamina Persero RU VI Balongan one from 7 refineries owned by PT Pertamina Persero has increased every year in the Gross Refinery Margin with an income of 403.51 Million USD. The increase in GRM in 2016, compared to 2015, was resulted from the decline in crude oil prices as the largest component in the raw material cost. Additionally, the increased yield also shows an improved operational performance at RU VI. The Employee competency building was realized at 100% from the target of 80% in 2016.

## **1.2 Background**

Human resources have an important role in the success or loss of a company. This is supported by the opinions expressed by Jackson et al (2010:5) "The value of the company's approach to managing its human resources will eventually arise in the company's profits." To deal with developments and competition in the business world, some companies are more likely to lead to strategies that place importance on sustainable competition. In an effort to implement this strategy, the company must be able to obtain, develop, and retain employees, because the strategy cannot be implemented without the human resources needed. (Jackson et al, 2010: 14).

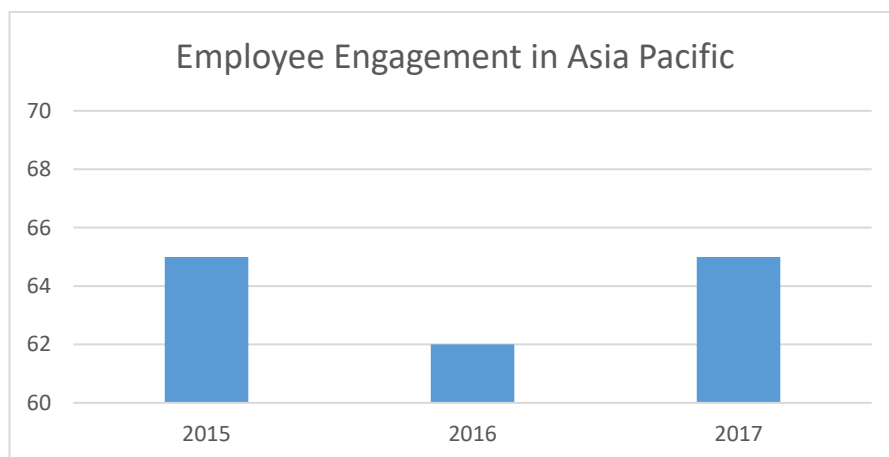
One form of human resource management that is currently a popular issue is employee engagement. In recent years there has been an increase and decrease in the level of employee engagement in the world and in several countries. (aon, 2018)



**Figure 1. 3 Employee Engagement in Global**

*Source: Data from www.aon.com, 2018*

The data displayed shows us that not all employees in the world have been engaged in the company, as shown in the table there was no change between 2015 until 2017 but there was decrease in 2016 from 65% engagement to 63%. Even so in the Asia Pacific region including Southeast Asia. Some things that happen to increase and decrease can be influenced by several factors that occur such as: Senior leadership, compensation and benefits, healthy and career. Macey and Schneider (2008) stated that employee engagement makes employees have higher loyalty thereby reducing the desire to leave the company (turnover intention).

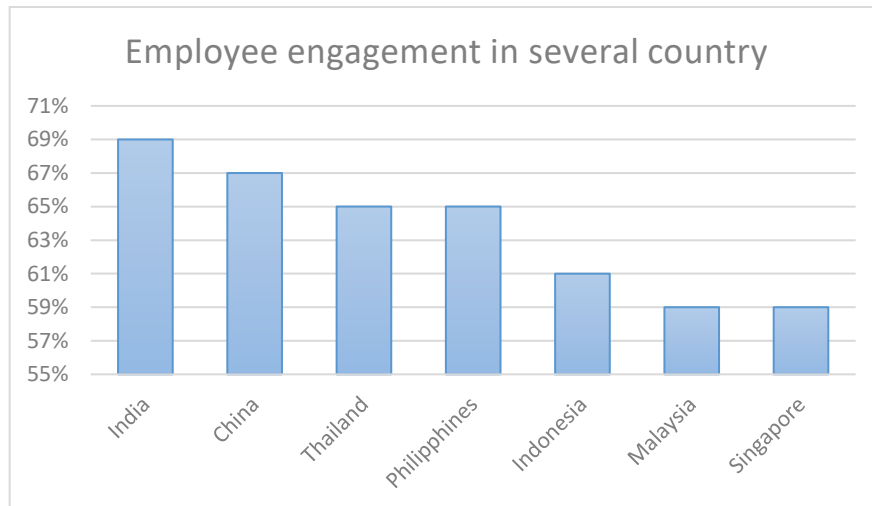


**Figure 1. 4 Employee Engagement in Asia Pacific**

*Source : Data from www.aon.com, 2018*

Based on research conducted in Cochin, India “In today’s competitive environment, one way to retain people is to have fully engaged employees.” (Susan, 2012)

The essence of the sentence above is that a worker in a company becomes important for the company itself.

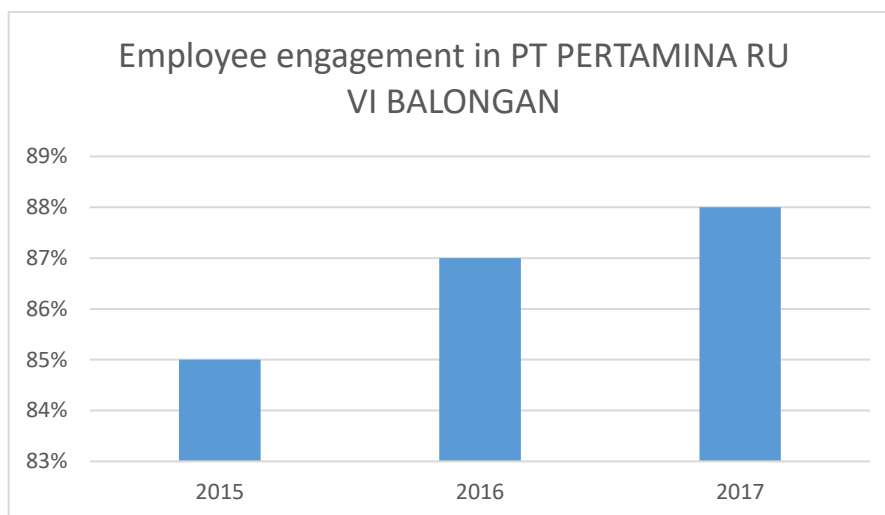


**Figure 1. 5 Employee Engagement in Several Country**

*Source : Data from www.straitstimes.com, 2017*

Based on the data above, it shows that the rate of employee engagement in Indonesia is 61% which means there are 39% employees do not feel engaged with their company.

Akbar (2013: 11) stated that “Employee engagement has several advantages, increasing productivity, increasing profits, increasing efficiency, reducing turnover, reducing absenteeism, reducing fraud, increasing customer satisfaction, reducing workplace accidents and minimizing employee complaints”. The conclusion of this study that employee engagement affects several aspects of the company. This is the reason why PT PERTAMINA RU VI BALONGAN must pay attention about the way in managing and developing existing human resources, so it will be a factor that promotes the company, the way is to increase employee engagement.



**Figure 1. 6 Employee Engagement in PT Pertamina RU VI Balongan**

*Source : Data processed 2019*

Based on the data above, the level of employee engagement in PT Pertamina RU VI Balongan increased every year, where the results of employee engagement at PT Pertamina RU VI Balongan reach and exceed the target set by the company, the company's target is 80% in accordance with PT Pertamina RU VI Balongan's annual report.

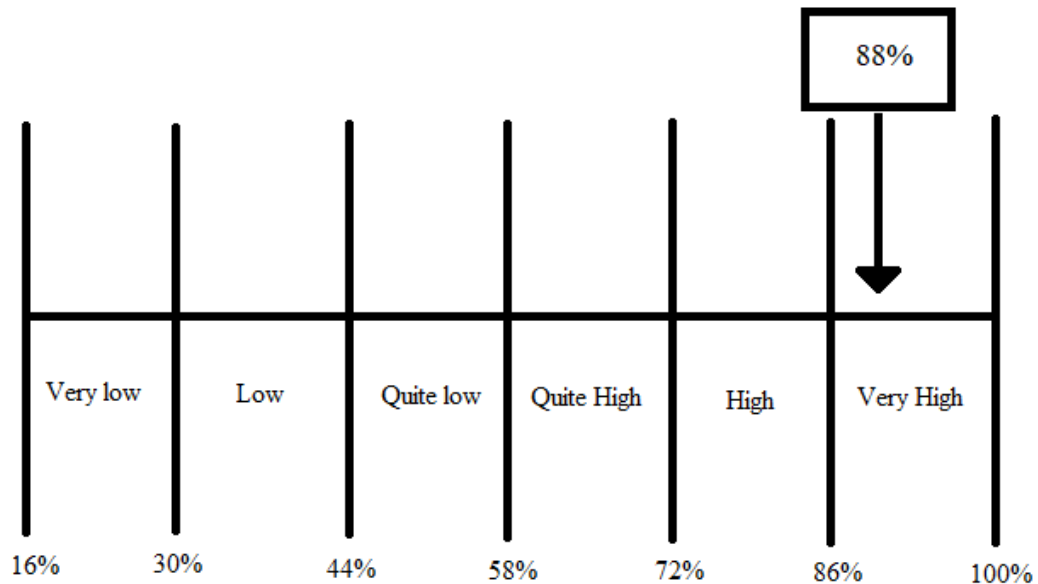
**Table 1. 1 Preliminary study Employee Engagement**

Item	Response						Total	Total Score	Percentage	Ideal Score
	S D	D	Q D	Q A	A	SA				
1	0	0	0	1	9	5	15	79	88%	90
2	0	0	0	3	4	8	15	80	89%	90
3	0	0	0	1	7	7	15	81	90%	90
4	0	0	0	3	9	3	15	75	83%	90
5	0	0	0	0	1	0	15	80	89%	90
6	0	0	0	0	9	6	15	81	90%	90
7	0	0	0	2	6	7	15	80	89%	90
8	0	0	0	2	8	5	15	78	87%	90
9	0	0	0	1	8	6	15	80	89%	90
Total								714	88%	

*Source : Data processed 2019*

Based on these data, the level of employee engagement at PT PERTAMINA RU VI Balongan Indramayu is categorized as very high because it

reach 88% and some program from units not realized. This matter means the level of employee engagement at PT Pertamina RU VI Balongan Indramayu not maximal yet. Then, if displayed in descriptive



**Figure 1. 7 Employee Engagement Continuum line for preliminary**

*Source : Data processed 2019*

There is an article stating that “An employee can be satisfied with a job without being engaged in the job. Employee engagement is much more than being content with pay and the ability to leave at 3 pm. That contentedness is merely job satisfaction, and though satisfaction is generally enough to retain employees, it’s not enough to ensure productivity. On the other hand, employee engagement does promote increased productivity.” (Charles, 2018). The statement explained that an employee can be satisfied even though he is not engaged in his job but sometimes there is a condition where satisfied employees can survive in the company he is occupied.” (Charles, 2018).

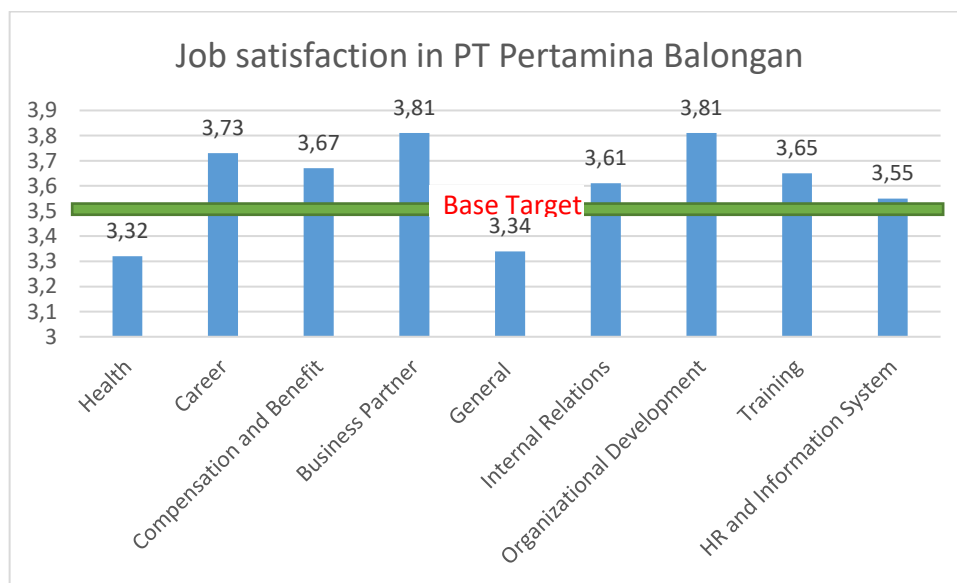
Based on the explanation above, it can be seen that job satisfaction in a company must have a relationship with employee engagement, which both influence each other. Job satisfaction is the terminology used to describe whether employees are happy, argue and fulfill their wants and needs at work. Hasibuan (2013: 203) states that employee job satisfaction is affected the following factors:

1. Fair and decent remuneration.
2. The right placement according to expertise.



3. The severity of work.
4. The atmosphere and work environment.
5. Equipment that supports the implementation of work.
6. The attitude of the leadership in his leadership.
7. The nature of the work is monotonous or not.

Robbins (2015: 46) said that someone with a high level of job satisfaction has feelings positive about his job, while someone with a level low has negative feelings. According to Ariani (2015:6) Satisfied employees are employees who can be empowered. In other words, employees who are satisfied will have resources and responsibility to understand and meet the customer's demands and needs. Employees who are satisfied with their job assessed as having emotional resources sufficient to show empathy, understanding, respect, and attention to the customer.



**Figure 1. 7 Job Satisfaction in PT Pertamina Balongan**

*Source : Sustainability report 2018*

According to picture 1.7, we can see that job satisfaction in PT. Pertamina Balongan have a good result except 2 which is Health and General because based on the standard score of PT. Pertamina Balongan itself was 3.5. Health and General have a good impact to the employee so when the score of Health and General is low there is something that why the employee feel no too satisfy with this 2 things and

some of the above can affect performance because one thing to another is tied together and influence each other.

The definition of performance according to Mangkunegara (2017) is the work result in the quality and quantity achieve by an employee in carrying out his duties in accordance with the responsibilities given to him. In addition, June and Mahmood (2011) said that employee performance is a behavior pattern that aims to meet the goals or expectations set by the company.

Based on the explanation above performance are work result, success to carry out, behaviour pattern and the hope of do a perfect things concerned with work and company.

**Table 1. 2 Preliminary study Performance**

No	Indicator	Response						Total
		SD	D	Q D	Q A	A	SA	
1	Focus on target	0	0	0	0	9	6	15
	Challenging and realistic	0	0	0	0	8	7	15
3	Willingness to contribute	0	0	0	0	11	4	15
4	Quality in accordance with the standards set.	0	0	0	0	11	4	15
5	Have a commitment about quality.	0	0	0	0	12	3	15
6	Has a procedure for quality.	0	0	0	0	7	8	15
7	The level of customer satisfaction with the quality produced.	0	0	0	0	12	3	15
8	Work finished on time	0	0	0	0	12	3	15
9	Customers (internal / external) are satisfied.	0	0	0	0	12	3	15
10	Commitment to the target.	0	0	0	0	14	1	15
11	Do the right way.	0	0	0	0	12	3	15
Total		0	0	0	0	120	45	165
Percentage		0%	0%	0%	0%	72,7%	27,2%	100%

*Source : Data processed 2019*

The data above shows, the 15 respondents' answers that the researchers got were related to performance. 72.73% stated agree, where it could indicate that out of 15 employees felt that their performance was sufficiently structured, disciplined, on time and following rules that given by the company. The questionnaire itself refers to Edison (2017) about the performance questionnaire.

**Table 1. 3 Pertamina Balongan Activity**

Pertamina Balongan Activity by Unit	Target	Activity Realized	Not realized	%
Engingeer and Development	19	16	3	84,21%
HSE	16	15	1	93,75%
Maintenance and Execution	17	15	2	88,23%
Maintenance planning and support	17	14	3	82,35%
OPI (Operational Performance Improvement)	19	16	3	84,21%
Production I	13	12	1	92,30%
Production II	17	17	0	100%
Reliability	17	13	4	76,47%
Refinery Planning and Optimization	17	16	1	94,11%
Operating and Manufacturing (SR)	19	17	2	89,47%
Turn Around	17	14	3	82,35%
(As targeted / Total) x 100%				

*Source : Data processed 2019*

According to the data above, we can see that every unit of the organization in PT. Pertamina Balongan has quite good results but in some unit like Engineer and Development unit, OPI unit, Reliability unit and Turn Around unit it has results below the other percentages and for some unit not realized the program. It can be assumed that there is a possibility that causes why the existing activity has not reached the target and this is related to the performance like the explanation about performance is the willingness to do something perfect or make a good result.

### **1.3 Problem statement**

Organized employee engagement will have a good impact on the company and bad employee engagement will affect the performance of the company that makes performance degradation identify existing problems, from employee engagement with preliminary did by author is 88% and there are program not realized by some unit, and from job satisfaction data we can see that there are 2 factors that are under the target of PT Pertamina Balongan namely Health and General, these things can happen because there are several factors that influence the achievement of the target base in job satisfaction, which makes the author want to investigate further.

To find out the phenomena that occur in PT Pertamina RU 6 Balongan Indramayu, the authors are interested in examining further about the effect of employee engagement and job satisfaction at PT Pertamina RU 6 Balongan Indramayu with the research title:

The Effect of Employee engagement and Job satisfaction on Performance (Case study of employees at PT Pertamina Persero RU VI Balongan Indramayu.).

To find out the phenomena that occur in PT Pertamina RU 6 Balongan Indramayu, the authors are interested in examining further about the effect of employee engagement and job satisfaction at PT Pertamina RU 6 Balongan Indramayu with the research title:

The Effect of Employee engagement and Job satisfaction on Performance (Case study of employees at PT Pertamina Persero RU VI Balongan Indramayu.).

### **1.4 Research Question**

1. How employee engagement in PT. Pertamina RU 6 Balongan Indramayu?
2. How job satisfaction in PT. Pertamina RU 6 Balongan Indramayu?
3. What is the effect of employee engagement level and job satisfaction level towards performance at PT. Pertamina RU 6 Balongan Indramayu?

### **1.5 Research Objectives**

1. To know and analyze employee engagement in PT Pertamina RU 6 Balongan Indramayu.
2. To know and analyze job satisfaction in PT Pertamina RU 6 Balongan Indramayu.

3. To know and analyze the effect of employee engagement and job satisfaction towards performance in PT Pertamina RU 6 Balongan Indramayu.

### **1.6 Scope of Study**

The scopes of the study are:

1. The respondents are employees of PT. Pertamina RU 6 Balongan Indramayu
2. This study focuses on the impact of employee engagement and job satisfaction towards performance

### **1.7 Significance of The Study**

The result of this study are expected to provide benefits for many parties.

The usefulness expected by the author is as follows:

1. Among academics
  - a. The results of the study are expected to provide scientific ease and enrich theories about the impact of employee engagement, job satisfaction towards performance.
  - b. The research results can inspire other researchers to conduct research in the future.
  - c. The result of this study are expected to be useful in increasing knowledge for other parties in this study.
1. Among practitioners

For PT Pertamina RU 6 Balongan, an input to analyze the factors of employee engagement, job satisfaction towards the performance in PT Pertamina RU 6 Balongan Indramayu. In addition to providing information to the management of PT. Pertamina RU 6 Balongan Indramayu factors that must be improved for better future.

### **1.8 Writing sequence**

The writing of this study consists of five chapters which are interrelated with one another and arranged sequentially with systematic presentation as follows:

CHAPTER I INTRODUCTION In Chapter 1 it contains description of research object, background, problem statement, research question, research objectives, scope of study, significance of the study and writing sequence.

CHAPTER II LITERATURE REVIEW In chapter II contains the theories that support this research. In chapter II also tells about theoretical framework.

CHAPTER III RESEARCH METHODS In chapter III contains research methods, operationalization of variables, questionnaire design, and measurement scales, types and techniques of data collection, sampling techniques, data analysis techniques used in research, consistency analysis, and stages of research.

CHAPTER IV RESULTS AND DISCUSSION In IV, it tells the results and discussion of the characteristics of the respondents seen from various aspects, discusses, and answers the formulation of the problem and the results of the calculation of data analysis that has been done.

CHAPTER V CONCLUSIONS AND SUGGESTIONS In chapter V contains the conclusions of the results of the analysis, suggestions for the company and suggestions for further research.