

## **CHAPTER I INTRODUCTION**

### **I.1 Background**

In this modern era, competition between companies in an industry is getting tougher. The competition takes place globally. National borders are not an obstacle in doing business. Domestic companies are expected to be able to compete with other companies, both local and international. With the existence of many businesses, consumers will be more selective in choosing quality services. Companies are required to provide the best service to consumers and business partners. This causes human resources to be required to present the best so that the company can compete with other competitors.

A company or organization cannot be separated from an evaluation, one of which is performance management. One of the performance management that is very important to note is performance appraisal. Performance appraisal is an organizational process in evaluating the performance of its employees compared to a set of standards and then communicating this information to employees (Mathis & Jackson, 2010). Performance appraisal is an effort to improve the quality of employee in developing an organization effectively and efficiently. By conducting an effective employee performance appraisal, the company can optimize employee competence to achieve the company's goals. In addition, employee performance will also be optimal because employees will be motivated to perform better in the future. This also applies to the opposite, an ineffective employee performance appraisal will harm the company. Therefore, companies or organizations have made various efforts and the way to increase company productivity is to increase the skills and knowledge of employees to create a creative and skilled workforce or employees at work.

Qualified employees are recognized as the main factor as well as an asset that has an active role in supporting the success of a company or organization. Every method taken by the company to develop its business and business can be easily imitated by other companies so that it cannot maintain a continuous competitive advantage. But on the other hand, employee is a potential competitive advantage because of its

competencies in the form of intellect, nature, skills, personal character, as well as intellectual and cognitive processes, which cannot be imitated by other companies. An employee needs to have competence with certain standards because it can affect the company's performance improvement so that the company can provide the best quality products or services for company service users.

In conducting performance appraisals, various methods can be applied in performance appraisals. The selection of methods is carried out according to the actual conditions of the object to be assessed. This is one of the tasks of the Human Resource (HR) department in determining the best appraisal method according to the needs and conditions of an organization or company. What often happens in an organization is that employees feel dissatisfied with employee performance appraisals, causing a sense of blaming each other. This usually occurs due to the difference between the expected value and the actual value. Employee performance appraisal is often seen as an unpleasant activity. When the employee obtains the results of the performance appraisal, if the appraisal is considered valid then the value can be said to be valid and describe accurately, If employees think that the performance appraisal is invalid, the employee will lose confidence which will have an impact on decreasing productivity. In employee performance appraisal, there is the most important and difficult component to achieve, which is to be free from bias. These factors must be minimized or eliminated to obtain an objective appraisal result.

Meanwhile, performance measurement methods have developed rapidly. The method used as a decision-making system that can assist in the appraisal includes the Analytical Hierarchy Process (AHP). The Analytical Hierarchy Process (AHP) method is a decision support model developed by Thomas L. Saaty. This decision model will describe a complex multi-factor or multi-criteria problem into a hierarchy. The advantage of the Analytical Hierarchy Process (AHP) method itself is that the Analytical Hierarchy Process (AHP) makes broad and unstructured problems into a model that is flexible and easy to understand, solves complex problems through a systems approach and deductive integration, and can be used on elements The system elements are independent of each other.

PT. Taka Precision Manufacturing Indonesia (PT. TPMI) was founded in 1999 in Bandung. PT. TPMI's office and workshop are located at Jl. Raya Cinunuk 274 40624 Bandung (TPMI, 2016). PT. TPMI is a limited liability company engaged in the Service Manufacture of Turbomachinery parts, Industrial Applications parts, and Repair and Manufacture of Gearbox parts. PT. TPMI holds a vision "To be a Trusted Company in Mechanical Services & Manufacturing for Rotating Equipment in Indonesia" and has been certified ISO 9001-2018 Quality Systems to support all industry needed. In providing its services to consumers, PT. TPMI has 62 employees divided into three divisions, one of which is the Technical and Engineering division. The Technical and Engineering Division is a division that handles the repair, procurement/manufacturing, and installation of spare parts in the workshop or on-site work. The Technical and Engineering Division is directly involved with consumers in providing services. This duty requires employees in the Technical and Engineering division to have excellent leadership skills, discipline, extensive knowledge, and plan work targets. The goal is that the performance provided to customers is satisfactory.

Based on the author of interviews and observations during the internship, obtained problems related to the employee at PT. TPMI, most employees are dissatisfied with the performance appraisal results because employees only receive the final results and do not know what criteria are being assessed and what criteria will most influence the value, and the lack of feedback given by the company which has resulted in the achievement of targets that have been made by the company. Figure I.1 below is one of the S-curves of not achieving the project work target, and confirmed by the manager of Production Planning And Inventory Control (PPIC) that most of the projects carried out always exceed the scheduled.



Based on the field study, the author interviewed the HR staff of PT TPMI on December 2, 2019. Currently, the performance appraisal at PT TPMI is carried out once a year in December, the performance appraisal conducted by PT TPMI is Behaviorally Anchored Rating Scale (BARS) method, comparing the performance of employees with examples of specific behaviors that are rated numbers where the supervisor carries out the employee performance appraisal. In the mechanic operator, performance appraisal is seen based on the feedback given by customers in each project. If the feedback given by the customer is good or there are no complaints from the customer regarding the service provided, then the performance is declared good, and if the customer complains about the service provided, the performance is declared not good and the mechanic concerned will be given a warning. Employee performance appraisal assesses which consists of 19 (nineteen) criteria, including Work Accuracy, Understanding of tasks, work targets, Concentration, Completion of tasks, Speed in anticipating mistakes, Responsibility for assigned tasks, Work discipline, Seriousness in obeying rules, Obedience to laws, Obedience to orders, Work Behavior, Communication, Coordination, Cooperation with colleagues, Adjustment with colleagues, Concern for cleanliness and tidiness of the area, Planning, and Decision Making. (19) These nineteen appraisal criteria are categorized into 4 (four) main aspects including technical, non-technical, personality, and leadership aspects.

Although PT TPMI has conducted employee performance appraisals, the work appraisals carried out are not optimal and subjective because they have not weighed the criteria or aspects of the appraisal so that it is not known which criteria or aspects affect the employee's performance the most. The same assumption contained in the weighting is deemed inappropriate, because each field of work has its characteristics so that sometimes it demands more from certain aspects.

The Technical and Engineering operators of PT TPMI need to know which aspects of the appraisal are more important to have or vice versa so that the company can carry out operator development. Therefore, it is necessary to weight the criteria or aspects of employee performance appraisal to find out which component of the appraisal is more important or vice versa and to produce an objective appraisal.

Based on the description of the actual condition of PT TPMI, it can be concluded that PT TPMI needs an employee performance appraisal design by weighting according to the aspects and criteria to be assessed. The design of employee performance appraisal is designed using the Analytical Hierarchy Process (AHP) method to produce the weight of each criterion or aspect. By applying a performance appraisal based on weighting, there are several benefits for the organization, namely increased productivity, increased employee performance, easy decision making. Based on the description of the background above, PT TPMI requires an employee performance appraisal that weights every aspect and criterion in evaluating the performance of employee in the organization to improve or improve the quality.

## **I.2 Identification of Problem**

According to the description of the previous background, it can be appointed as a research problem formulation as how is the design for weighting the performance appraisal of PT TPMI's Technical and Engineering Division operators using the Analytical Hierarchy Process (AHP)?

## **I.3 Purpose of The Research**

The objective purposes of this research are to design a weighting for the performance appraisal of the Technical and Engineering Division operator of PT TPMI using the Analytical Hierarchy Process (AHP) method.

## **I.4 Significance of The Research**

Based on the above objectives, the authors hope that PT TPMI can use this research to decreasing bias factor on the performance appraisal and educational benefits, namely as a scientific work supporting science and evaluation material for other parties who want to research similar fields. The author also expects this research to can increase motivation, performance, and employee discipline in improving the quality of employee at PT TPMI.

## **I.5 Scope of Problem**

The problem limitation of this research refers to the operator in the Technical and Engineering division of PT. TPMI with employee positions and status as permanent employees and This research was limited to calculating the weighting of criteria and aspect of performance appraisal using the Analytical Hierarchy Process (AHP) method.

## **I.6 Writing System**

This research is systematically described as follows:

### **CHAPTER I Introduction**

This chapter contains the background of the research by looking at the problems that exist in PT TPMI regarding the performance appraisal that is currently being carried out by the company, the formulation of the problem, research objectives, research objectives, research limitations, research benefits, and writing systematics.

### **CHAPTER II Literature Review**

This chapter contains literature that is relevant to the problem under study. The studies used as references in this research are on performance appraisal theories, performance appraisal methods, and Analytical Hierarchy Process (AHP) methods as the methods used in the study.

### **CHAPTER III Research Methodology**

This chapter describes the stages of the research in detail, covering what is done in the study, starting from the initial steps of the research, the research process, to getting the research conclusions.

**CHAPTER IV Data Processing**

This chapter will discuss the data used in research, how to collect the data, and how the data will be processed.

**CHAPTER V Analysis**

This chapter describes the results of analyzed data processing. The analysis carried out for this research is the analysis of performance appraisal with weight from Analytical Hierarchy Process (AHP) methods.

**CHAPTER VI Conclusions and Suggestions**

This chapter contains conclusions from research and suggestions for companies and further research.