

THE EFFECT OF TOTAL QUALITY MANAGEMENT, INTERNAL CONTROL SYSTEM, ORGANIZATIONAL COMMITMENT AND INCENTIVE ON THE MANAGEMENT PERFORMANCE OF REGIONAL RETRIBUTION MANAGEMENT

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Abstract

Managerial performance is formed from the performance of individuals in carrying out planning, coordination, evaluation, monitoring, staffing, negotiation and representative activities. The low achievement of retribution becomes a problem that needs serious attention so that the increase of local revenue will increase and will create financial autonomy. This study aims to test and obtain empirical evidence regarding the effect of total quality management, internal control system, organizational commitment and incentives to managerial performance of retribution management. The data used are primary data using questionnaires distributed to 100 respondents of echelon II, III and IV structural officials who run the levy management activities at the Government of Mataram City and North Lombok Regency. Sampling was done using purposive sampling. Data analysis was done using Partial Least Square (PLS). The results show that managerial performance of retribution management is influenced by internal control system and incentives but not influenced by total quality management and organizational commitment.

Keywords: Total Quality Management, Internal Control System, Organizational Commitment, Incentive, Managerial Performance

INTRODUCTION

The regional retribution is an important source of local revenue to finance the implementation of local government and regional development to establish broad, real, responsible regional autonomy and achieve regional autonomy. The potential sources of local revenue must be maximally explored, but of course in accordance with the prevailing laws and regulations, including among others retribution that has long been the element of the local revenue (PAD).

In digging the original revenue areas especially the levy, it is required performance. According to Government Regulation No. 58 of 2005, performance is the result of activities that have been achieved in relation to the use of budgets with quantity and quality measurable. The performance of public sector organizations cannot be separated from the performance of its manager, so that the success of public sector organizations in realizing the goals, vision and mission of the organization. Managerial performance is the performance of individuals in managerial activities, such as planning, coordination, evaluation, supervision, staffing, negotiation and representation (Mahoney, 1963), in the perspective of *goal setting theory*.

The phenomenon that can be observed in the management of retribution in Mataram and North Lombok regency is the realization of local revenue from the retribution continues to increase significantly. This can be seen from the percentage of the increase of levy revenue in Mataram has the highest increase of retribution which is 100.50% in 2016 and North Lombok regency has decreased the amount of retribution revenue which is equal to 56,10% in 2016. Although the amount of retribution revenue is high, there is still a high amount of retribution arrears. Therefore it is essentially needed a hard working of managerial performance in managing the retribution in order to achieve the target of levy and it can be fulfilled and Local Revenue will increase. To improve the managerial performance of levy management there are several factors that can explain those are total quality management, internal control system, organizational commitment and incentive.

Some research on managerial performance has been done by some previous researchers, but there are some differences in the results from some of these studies. The research conducted by Dauhan (2013), Kumentas (2015) found that managerial performance was influenced by total quality management. Other research on managerial performance was done by Taufik and Kemal (2013) and Friyanti (2016) with the research findings that internal control system had an effect on managerial performance. Khairati research (2013) suggested that incentive affected managerial performance. In contrast to the results of the research conducted by Taufik and Kemal. (2013) and who found that organizational commitment has no effect on managerial performance.

This research was motivated from Sulijaya et al. (2015). The difference in this research with the research of Sulijaya et al. (2015) lied in the time, place, and independent variables used. The research conducted by Sulijaya et al. (2015) used variable Total quality management, motivation and organizational commitment. The novelty of this research was adding two independent variables: internal control system and incentive. Analyzer used in this research was Partial Least Square (PLS).

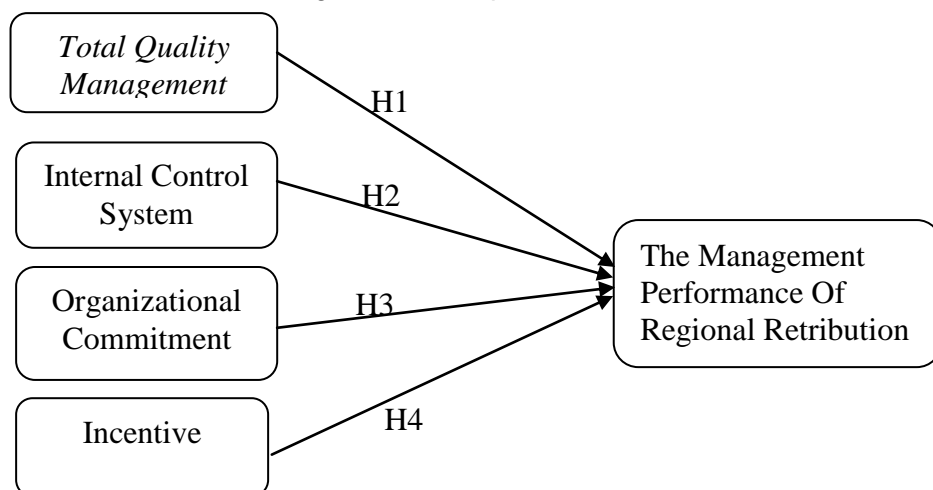
THE FRAMEWORK OF THEORETICAL THINKING AND HYPOTHESES DEVELOPMENT

FRAMEWORK OF THEORETICAL THINKING

The theory of goal setting was originally proposed by Locke in the late 1960s. Locke argued that specific and difficult goals lead to better performance compared to the easy goals. This is also supported by research conducted by Latam who studied the effects of goal setting in the workplace.

In managing regional retribution, the managerial performance is needed so that the acceptance of retribution can reach the target. The innovation will lead to total quality management to increase levy revenue. An effective internal control system will prevent fraud in the management of retribution and will result in the achievement of maximum retribution. The involvement of managers in the management of retribution will make it easier for managers to accept the organizational goals and objectives that generate a sense of responsibility to strive to achieve them and increase organizational commitment. The achievement of organizational goals encourage managers to mobilize all the competencies possessed in order to accelerate the achievement of organizational goals. The achievement of organizational goals showed an improvement in managerial performance which in turn will provide feedback on the incentives received for performance improvements that have been achieved. Based on the above argument the schematic conceptual framework of this study as presented in figure 1.

Figure 1. Conceptual framework



HYPOTHESES DEVELOPMENT

The Influence of Total Quality Management on Managerial Performance of Regional Retribution Management

According to goal setting theory proposed by Locke and Latham (2002) stated that financial management must be managed well to achieve the goals set. In the management of levy is required total quality management so that managers improve the quality of public services.

H1: Total Quality Management positively affects the managerial performance of the regional retribution management

The Influence of Internal Control System to Managerial Performance of Regional Retribution Management

In accordance with goal setting theory perspective explains that the financial management must be managed well to achieve the goals set. The implementation of effective internal control system will be able to prevent and minimize the occurrence of irregularities and reduce the possibility of errors and actions that are not in accordance with the rules in the managerial performance of levy management.

According to Government Regulation No. 60 of 2008, the internal control system is an integral process of actions and activities undertaken continuously by the leadership and all employees to provide reasonable assurance on the achievement of organizational goals. The internal control system is expected to be able to optimize managerial in managing the retribution.

H2: The Internal Control System has a positive effect on managerial performance of regional retribution management

The influence of organizational commitment on managerial performance of Regional Retribution management

From the perspective of *Goal Setting Theory* explains that commitment has a strong relationship with the performance. People who have high goals will work harder to achieve their goals and have high confidence that their efforts will produce the desired results (Locke and Latham, 2002). Organizational commitment is expected to improve managerial performance. Based on the description above, the third hypothesis in this research is:

H3: The Organizational Commitment positively affects the managerial performance of regional retribution management

The influence of incentive on managerial performance of Regional Retribution Management

In accordance with goal setting theory perspective explains that financial management must be managed well to achieve the goals set previously. So that to realize it, it is necessary to provide incentive as a form of appreciation that has done the work according to targets that have been determined or exceed the target achievement of levy management. Based on the above description, the fourth hypothesis in this study is:

H4: Theincentive have a positive effect on the managerial performance of regional retribution management

RESEARCH METHODS

Research Design

This research is conducted by using a quantitative approach. The type of research used in the explanatory research, that attempts to explain the causal relationship between independent variables which are total quality management, internal control system, organizational commitment and incentive with the dependent variable that is managerial performance. Sources of data in this study use primary data and secondary data.

Determination of Research Sample

The sampling technique in this research was nonprobability sampling that was purposive sampling. The purposive sampling is a technique of determining the sample with certain considerations (Sugiyono: 2016).

The criteria of sample selection in this study were all structural officials of echelon II, III and IV directly involved in the management of levy at the Organization of Regional party of Mataram and North Lombok Regency, so that it was obtained a number sample of 100. The data collection in this study used questionnaires.

Data Analysis Method

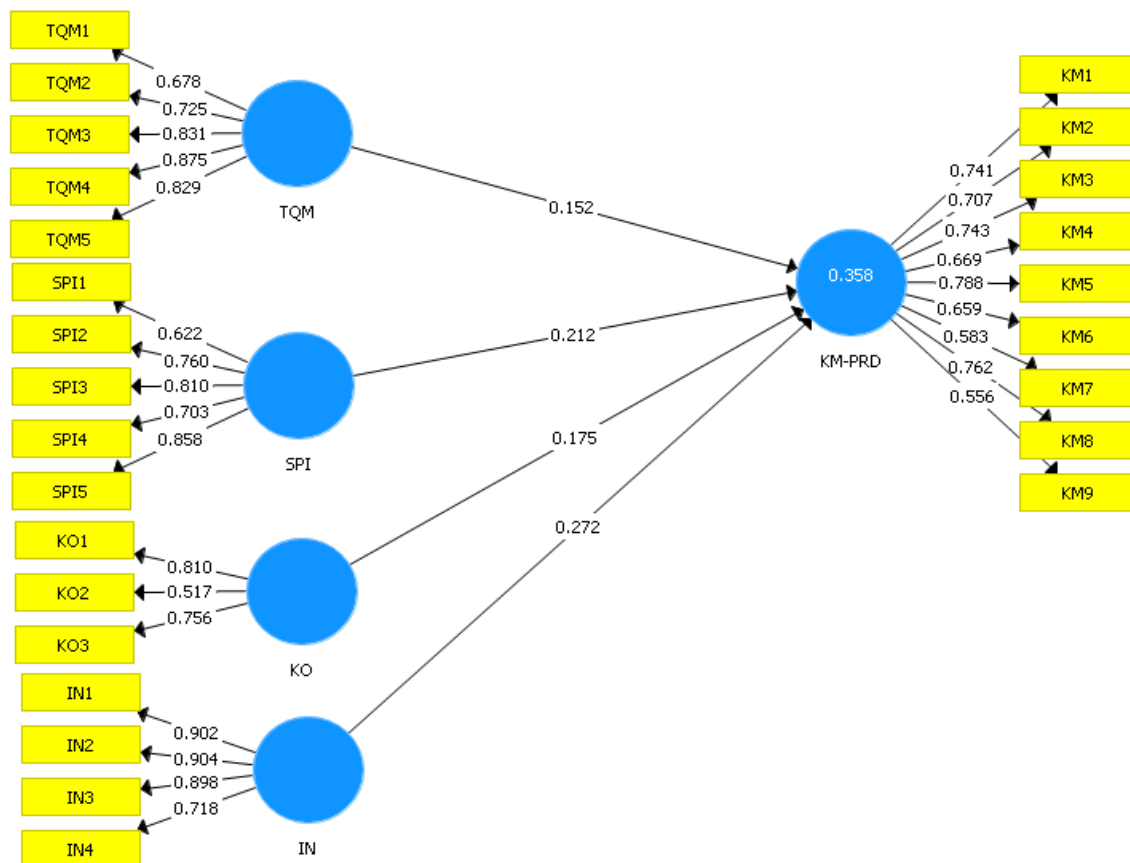
This study used Structural Equation Modeling (SEM) -based variants and analysis tools Partial Least Square (PLS). According to Ghazali (2008) in a PLS or component based SEM analysis tool, the optimal linear relationship between latent variables is calculated and interpreted as the best predictive relationship available with all the limitations available, so that the existing events cannot be fully controlled.

RESULTS AND DISCUSSION

Outer Model Test (Evaluation of Measurement Model)

The convergent validity test was seen from measurement using reflective indicator which was assessed by loading factor, it was recommended that the value of each indicator should be above 0.6, the values meet the convergence validity test (Ghozali, et al, 2015). However, in the development stage of research, the loading scale of 0.5 to 0.6 was acceptable. The following test results of convergent validity:

Figure 2. Structural Model



Based on the figure 2 can be seen loading factor for all indicators have a factor loading above 0.5. Thus it can be concluded that the indicators in Figure 2 were valid and can be accepted as a measurement of latent variable research.

The measurement of the discriminant validity of the measurement model was assessed by comparing the roots of the AVE, a construct must higher than the correlation between the latent variables or by looking at cross loading measurements with their constructs. The value of cross loading is presented in table 1 below:

Table 1. Discriminant validity test results

	TQM	SPI	KO	IN	KM
TQM1	0,678	0,322	0,224	0,361	0,257
TQM2	0,725	0,385	0,278	0,137	0,316
TQM3	0,831	0,351	0,356	0,348	0,370
TQM4	0,875	0,399	0,369	0,304	0,388
TQM5	0,829	0,530	0,488	0,504	0,433
SPI1	0,293	0,622	0,099	0,304	0,099
SPI2	0,432	0,760	0,111	0,221	0,111
SPI3	0,525	0,810	0,312	0,314	0,312
SPI4	0,231	0,703	0,218	0,232	0,218
SPI5	0,401	0,858	0,244	0,227	0,244
KO1	0,375	0,281	0,810	0,316	0,355
KO2	0,212	0,001	0,517	0,168	0,150
KO3	0,334	0,192	0,756	0,256	0,291
IN1	0,411	0,353	0,349	0,902	0,474
IN2	0,307	0,200	0,286	0,904	0,438
IN3	0,358	0,280	0,265	0,898	0,369
IN4	0,406	0,333	0,356	0,718	0,314
KM1	0,341	0,320	0,741	0,390	0,741
KM2	0,237	0,172	0,707	0,225	0,707
KM3	0,388	0,445	0,743	0,209	0,743
KM4	0,303	0,215	0,184	0,213	0,669
KM5	0,316	0,205	0,279	0,390	0,788
KM6	0,198	0,341	0,177	0,331	0,659
KM7	0,331	0,396	0,158	0,383	0,583
KM8	0,392	0,294	0,453	0,499	0,762
KM9	0,266	0,193	0,208	0,149	0,556

From the table above showed that the indicators of each variable has already met the discriminant validity requirements. This can be seen from the indicator of Total Quality Management (TQM), Internal Control System (SPI), Organizational Commitment (KO), Incentive (IN), and Managerial Performance (KM).

COMPOSITE RELIABILITY

Table 2. Composite Reliability Result

Variable	Rule of thumb		Explanation (Composite Reliability)
	Value	Requirement	
TQM	0,892	> 0,7	Reliable
SPI	0,868	> 0,7	Reliable
KO	0,743	> 0,7	Reliable
IN	0,918	> 0,7	Reliable
KM	0,892	> 0,7	Reliable

Based on table 2, it is known that total quality management constructs, internal control systems, organizational commitment, incentives and managerial performance have composite reliability values greater than 0.7. Thus it can be concluded that the indicators in the study met the criteria of composite reliability or indicator was reliable (Ghozali&Latan: 77).

The Inner Model Test (Evaluation of Structural Model)

The inner model illustrated the relationship between latent variables based on the substantive theory of the structural model evaluated by using R-square for endogenous constructs. The R-square results described in the endogenous variables should be above 0.33 so it can be stated that the endogenous constructs are moderately good (chin 1998 in Ghozali and Latan, 2015), the following is R Square values.

Table 3. R Square value

Variable	R Square
Managerial performance	0,358

Based on the table, the R-R value of the Managerial Performance construct was 0.358. This means that total quality management (TQM), internal control system (SPI), organizational commitment (KO) and incentive (IN) were able to explain managerial performance constructs of 35.8% while the rest of 64.2% is explained by other variables.

RESULT OF HYPOTHESES TESTING

For the hypothesis test, the t-statistic value generated from the SmartPLS output was compared with the t-table value, the SmartPLS output is an estimate of the latent variable which is linear

aggregate from the indicator with the hypothesis testing criterion with the significant level (α) 5%, it meant if $t > t$ table, that is more than 1.96 then Hypothesis accepted and vice versa. The following t-statistics obtained from *bootstrapping* can be seen in the table path coefficient which showed the significance of statistics in the table:

Table 4. Hypotheses Testing by Path Coefficients

Hypothesis	Path Coefficient	t-statistic	t-table	Conclusion
H ₁ : total quality management has a positive effect on the managerial performance of regional retribution management	0,152	1,116	1,66	Rejected
H ₂ : internal control system has a positive effect on the managerial performance of regional retribution management	0,212	1,772	1,66	Received
H ₃ : organizational commitment has a positive effect on the managerial performance of regional retribution management	0,175	1,418	1,66	Rejected
H ₄ : incentives have a positive effect on the managerial performance of regional retribution management	0,272	2,393	1,66	Received

Based on table 4 can be concluded that the analysis results for hypothesis testing with the following explanation:

Influence of Total Quality Management on Managerial Performance of Retribution Management

The third hypothesis (H1) stated that total quality management has a positive effect on the managerial performance of levy management. From the test using PLS found that total quality management did not positively affect the managerial management performance although the coefficient value as presented in table 4 was 0.136 but the t-statistic value was 0.987 smaller than t-table (1.66, level of significance at $\alpha = 5\%$). The result of H1 research was rejected meant that the good total quality management has not been able to improve managerial performance of levy management. It can be concluded that the Government of Mataram and North Lombok Regency has not been able to optimize the total quality management which is expected to provide feedback in improving the managerial performance of retribution management.

The results of this study were in accordance with the results of the research conducted by Angelina (2012) and Kumentas (2013) who found that there is no effect on managerial performance. The results of this study contradicted with the results of research conducted by Dauhan (2015), and Pamungkas (2015) who found that the total quality management had significant effect on managerial performance.

The Influence of Internal Control System positively influence to managerial performance of retribution management

The better the internal control system that is done by internal party of local government will increasingly improve the managerial performance of retribution management. The second hypothesis (H2) of this study which stated that the internal control system positively affected the managerial performance of retribution management. From the test using PLS found that the internal control system positively influence to managerial performance of retribution management. The coefficient of path as shown in table 4 was 0.234 and the t-statistic value was 2.073 (greater than t-table 1.66, the level of significance at $\alpha = 5\%$). The result of H2 research was accepted that the internal control system ensured the better managerial performance of retribution management. It can be concluded that the Mataram city and Lombok Regency are able to improve internal control system in managerial performance of retribution management.

The results of this study were in accordance with the results of the research conducted by Amelia et al. (2014), and Taufik and Kemal (2013) who found the internal control system has significant effect on managerial performance. However, the results of this study contradicted with the results of the research conducted by Annisa and Rusli (2014) who found that there is no effect on managerial performance.

The influence of Organizational Commitment has a positive effect on managerial performance of retribution management

The third hypothesis (H3) stated that organizational commitment has a positive effect on the managerial performance of retribution management. From the test using PLS found that (H3) from this research stated that organizational commitment has positive effect on managerial performance. The path coefficient as presented in Table 4 was 0.105 and the t-statistic value was 0.844 (smaller than t-table 1.66, the level of significance at $\alpha = 5\%$). The result of H3 research rejected. It meant that organizational commitment has no positive effect on managerial performance of retribution management. It is intended that managers of retribution management must have a high commitment to affect the organizational target in the management of retribution to be achieved.

The results of this study were in accordance with the results of the research conducted by Taufik and Kemal (2013), the organizational commitment has no effect on managerial performance. The results contradicted the results of Aisyah and Savitri's research (2014), and Praja (2015) which reveal that organizational commitment has a positive effect on managerial performance.

The Influence Incentives have a positive effect on the managerial performance of retribution management

The second hypothesis (H4) of this study which stated that incentive has a positive effect on the managerial performance of retribution management. From the test using PLS found that incentive had no significant effect on managerial performance of retribution management. The path coefficient as presented in Table 4 is 0.237 and the t-statistic value was 2.188 (greater than t-table 1.66, the level of significance at $\alpha = 5\%$). The result of H4 research was accepted that the incentive giving positively affect the managerial performance of retribution management. Providing incentive will ensure the better managerial performance of retribution management.

The results of this study were in accordance with the results of the research conducted by Fauziah (2012) and Khairati (2013) who found incentive has a significant effect on managerial performance. The results of this study contradicted with the results of research conducted by Sukmasari (2011) who found that incentive has no effect on managerial performance.

CONCLUSIONS AND LIMITATIONS

The results of this study indicated that the managerial performance of retribution management was influenced by the internal control system and incentive but was not influenced by organizational commitment and total quality management. These results supported the importance of improving the managerial performance of retribution management by establishing a high Internal Control and Incentive System. Other findings from this study revealed that the improvement in total quality management and high organizational commitment will improve the managerial performance of retribution management. This was because optimization of total quality management and organizational commitment has not been able to provide feedback in improving managerial performance of retribution management.

This research had certain limitations. This research used only four exogenous variables which were total quality management, internal control system, organizational commitment and incentive to analyze the factors affecting managerial performance of retribution management with R square value equal to 35.8%. This meant that there were still 64.2% managerial

performance of regional retribution management explained by other variables so that this research model is still not appropriate to solve the problem of managerial performance of regional retribution management. In subsequent research to add other exogenous variables so that it can be a better model to be able to solve the problem of managerial performance of retribution management in Indonesia.

The scope of this study was only on Mataram City Government and North Lombok Regency so that the findings and recommendations of this research were not optimal to generalize the area outside the Government of Mataram City and North Lombok Regency. This limitation can be overcome by expanding the area of the object of research so that the results of the research can be generalized and provide a more real picture of the managerial performance of retribution management.

In this study, there were exogenous variables that were total quality management, and organizational commitment that has no effect on managerial performance of retribution management. This was probably because the indicators used to measure the total quality management and organizational commitment were limited so that further research can add other indicators to reflect well the constructs in measuring the total quality management and organizational commitment variables. In addition, the likelihood of respondents is still lack understanding of the statements contained in the questionnaire so that it is necessary to evaluate the statement item so that it becomes clearer and easier to understand.

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