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The Implementation of COSO Concept in “Vroom” Expectancy Theory on PT. UMC Zusuki Jember

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Abstract

This research is important to test and analyze employee perceptions of internal controls implemented in the company and to see and assess the extent to which employees are consistently maintaining the performance rendered by hypothesis testing using multiple regression analysis and used purposive sampling method, and obtained 36 respondents. The results showed that the concept of the COSO as one of evidences that could affect Vroom expectancy theory, in other words, the perception of the employees in the control environment, risk assessment, control activities, information and communication, and monitoring significantly affect the performance of employees of PT. UMC Suzuki Jember

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Keywords: COSO concept; “Vroom” expectancy theory; Environment Control; Risk Assessment; Control Activities; Information and Communication; Monitoring and Employee Performance.

1. Introduction

The development and growth of the automotive industry grew rapidly proven by PT.UMC Suzuki Jember sales data recorded from 2010-2014 which has increased dramatically with the release of Ertiga product as many as 540 units of the total sales of Suzuki in 2012, which reached 1120 units. In 2010 - 2013 Suzuki is in the fourth level, but in 2014 Suzuki moved into the third, shifted Mitsubishi position. Although the terms of the purchasing power of consumers, Suzuki is still inferior to its competitors. If it is supported by quality of products and professional human

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resources, especially human resources concerning on sales, will support the increasing of the company's sales significantly.

Whether the purpose of the company is achieved or not, it depends on the equipment, infrastructure and human capacity to do the job. The ability of human resources who become active and dominant actors from the planning to evaluation activities in the utilization of other resources will be well-managed by performance improvement. Performance is the result of a worker, a management process or an organization as a whole, where the results of such work must be proven (Sedarmayanti, 2011). Sutrisno (2010), Prawirosentono (2008), and Moeheriono (2010) explains that the performance is the result of work that can be achieved by a person or group of people within an organization, in accordance with the authority and responsibilities of each in order to achieve organizational goals legally, not to violate the law, and in accordance with moral and ethics.

Mangkunagara (2011) explained that there are two factors affecting the achievement of the performance is the capability and the motivation factor. While Pasolong (2010) argues there are 7 factors that affect the performance of employees, namely: the ability, willingness, energy, technology, compensation, clarity of purpose, and security. Individual rank, working experience, and firm size tested to give positive and significant contribution to the professionalism and the work of the company's internal auditor (Wardayati, 2006). Internal control and leadership style significantly influence employee performance (Dewi, 2012).

Expectancy theory (Vroom, 1964) explains that the strength of a tendency to act in a certain way depending on the strength of an expectation that the act will be followed by the specified output and output interest individually. In other words expectancy theory helps to explain why many employees are not motivated in their work and only do the minimum action to save them. Employee performance may decline due to low motivation to work and the opportunity to commit fraud. Companies can take variety of ways to increase employee performance including through internal control.

Messier et al. (2014) explains that the internal controls are designed and influenced by the board of the entity of directors, management and other personnel to provide reasonable assurance of achieving the entity's objectives in the following categories (1) the reliability of financial reporting, (2) the effectiveness and efficiency of operations, and (3) compliance with laws and regulations. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the five components of internal control are comprised of the control environment, risk assessment, control activities, information and communication, and monitoring (Arens, et. Al, 2013).

The application of the concept of COSO internal control in all company's organizational structure is sufficient guarantee of achievement and performance objectives in maintaining the effectiveness and efficiency of company operations, qualified financial statements which have fulfilled the requirements of the legal determination. Weak internal controls led to the insecurity of the company's assets, outstanding accounting information, inefficient and ineffective operational activities of companies and non-compliance to the policy set.

Research of Oktarnia (2014) states that only control activity affect employee performance, while the research of Yusuf (2014) and kurniawan (2012) concluded that all COSO components affect the performance of employees. Employees play important role in the running of all activities of the company to grow and be able to face the competition of business and were able to maintain the company's existence in accordance with the company's objectives. One way to improve the performance of employees is through employee perceptions about the implementation of internal control in the company.

This research is important because it is to test and analyze the perception of employees of PT. UMC Suzuki Jember on internal control implemented. This study is also to look at and assess the extent to which employees consistently maintain the performance that it provides. Moreover, it also aims to examine and analyze the effect on the concept of the COSO internal control consisting of the control environment, risk assessment, control activities, information and communication, and monitoring the performance of employees with hypothesis testing using multiple regression analysis.

Based on the description above, the problems will be discussed in this study are: (1) Does the employees perception on the control environment affect the performance of employees?, (2) Does the employees perception on risk assessment affect the performance of employees?, (3) Does the control activity affect the performance of employees?, (4) Does the perception of employees to information and communication affect the performance of employees?, (5) Does the perception of employees to monitoring the effect on employee performance?.

2. Research Methods

2.1. Type, Population and Sample Research

This research is a quantitative research by using the data in the form of figures and using statistics analysis. The study population is all employees of PT. UMC Suzuki Jember with purposive sampling of all employees working in the sales department PT. UMC Suzuki Jember totaling 36 respondents.

2.2. Types and Sources Data

Data used in this study are the data subjects with primary and secondary data sources. The primary data were taken from the results of questionnaires distributed to employees of the sales department of PT. UMC Suzuki Jember. While secondary data are such documents concerning the profile of PT. UMC Suzuki Jember, organizational structure, number of employees of PT. UMC Suzuki Jember, sales employee number and name of the sales employee.

2.3. Data Analysis Methods

The analysis method used is descriptive analysis of statistics, quality testing technique consists of validity and reliability, normality test, classical assumptions that include multicollinearity and heteroscedasticity test, multiple regression analysis, and the hypothesis test consisting of the t test, and the coefficient of determination. To test the hypothesis, the partial and simultaneous tests are done with simple and multiple regression analysis. The form of systematic multiple regression analysis as follows:

$$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$$

3. Research Results

3.1. Descriptive Analysis

Last education of employees of PT. UMC Suzuki is S1 (undergraduated), while the majority of employee age range is 26-30 years old with most working period range from approximately 5 years and at the silver level. Research Variables Description analysis results shown in Table 1.

Table 1. Descriptive Analysis of Research Variables

Variable	N	Min	Max	Mean	Standard Deviation
Employee Performance (Y)	36	10	20	16.69	1.942
Control Environment (X1)	36	18	29	24.33	2.894
Risk Assessment (X2)	36	7	14	11.72	1.54
Control Activity (X3)	36	14	25	19.67	2.5
Information & Communication (X4)	36	5	19	14.53	2.74
Monitoring (X5)	36	5	15	11.22	2.85

Source: Primary data processed, 2015

3.2. Quality Test of Research Data

3.2.1 Validity Test

Based on primary data processed, it can be seen that the whole question items that totaled 25 questions items of all the variables that exist, have value of r count > of r table, and in accordance with the conditions set, then it means that

the whole question items totaling 25 items are valid and qualified as a measurement of all variables with a significant degree of validity at the level of 5%.

3.2.2 Realibility Test

Based on primary data processed, all variables showed Cronbach Alpha value is above 0.60. This result means that the measuring instrument used is qualified and reliable. In this case when Realibility coefficient (Alpha) value is > 0.60 then the variables and the measured point can be trusted or reliable.

3.3. Normality Test

Figure 1 shows that the overall level of significance on the research variables are normally distributed, it can be seen from the data that spread around a diagonal line and follow the direction of the diagonal line, it can be said that the regression model this study are normally distributed.

Normal P-P Plot of Regression Standardized Residual

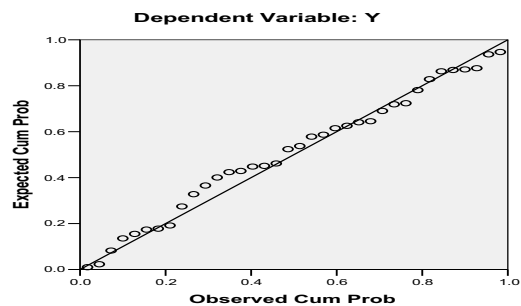


Figure 1. Normality Test Results

3.4. Clasical Asumption Test

3.4.1 Multicollnearity Test

In the table 2, it is seen that the value of Tolerance is ≥ 0.10 and Variance Influence Factor (VIF) on the entire variable is ≤ 10 . In accordance with the conditions set, the regression equation a correlation between variables was not found or called as free of Multicollnearity, so that these variables can be used in the research.

Table 2. Test Multicollnearity

Model	Collinearity Tolerance	Statistics VIF	Discription
Control Environment (X1)	0,683	1,464	No multicollnearity
Risk Assessment (X2)	0,713	1,402	No multicollnearity
Control Activity (X3)	0,472	2,117	No multicollnearity
Information & Communication (X4)	0,559	1,788	No multicollnearity
Monitoring (X5)	0, 720	1,388	No multicollnearity

Source: Primary data processed, 2015

3.4.2 Heteroscedasticity Test

Figure 2 shows unclear pattern. The points spread above and below zero on the Y axis, it can be concluded that there is no heteroscedasticity interference in the regression models. This shows that the estimation results of multiple linear regression fit to use for further interpretation and analysis.

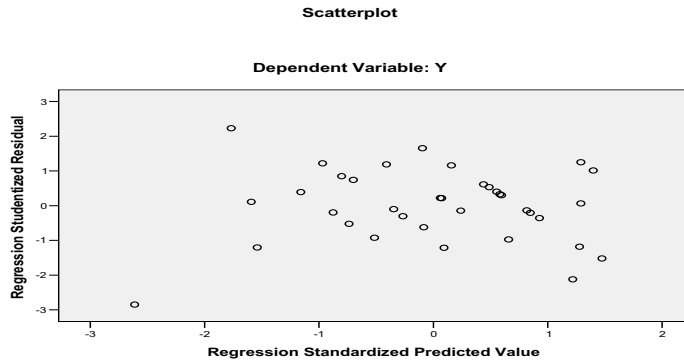


Figure 2. Heteroskidastity Test Results

Source: Primary data processed, 2015

3.5. Multiple Linear Regression Analysis

Table 3 shows that the regression equation derived from the analysis is $Y = 1.410 + 0.163 X1 + 0.249 X2 + 0.188 X3 + 0.194 X4 + 0.168 X5$. In other words, the equation above can be interpreted as constants is the intercept of the regression line with Y if X = 0, which shows that the independent variable used in the research model is as big as the constants. The magnitude of the constant is 1.410, indicating that if the control environment, risk assessment, control activities, information and communication, and monitoring is = 0, then the employee's performance will be as big as 1,410

Table 3. Multiple Linear Regression Analysis / t Test Result

Coefficients					
Model	Unstandardized B	Coefficient Std. Error	Standardized Coefficient	t	Sig.
¹ (Constan)	1.410	1.573		.896	.377
X1	.163	.065	.243	2.525	.017
X2	.249	.118	.198	2.103	.044
X3	.188	.090	.241	2.087	.045
X4	.194	.075	.275	2.583	.015
X5	.168	.064	.248	2.643	.013

a. Dependent Variable: Y

Source: Primary data processed, 2015

3.6. Hypothesis Test

Table 3 shows that all independent variables i.e. the employee perception on the control environment, risk assessment, control activities, information and communication, and monitoring significantly affect on the performance of employees in the sales of PT. UMC Suzuki Jember.

The coefficient of determination (R2) essentially aims to measure how far the ability of the model to explain variations in the dependent variable. Table 4 shows the test results of the coefficient of determination.

Table 4. Test Results Coefficient of Determination
Model Summary.

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.900 ^a	.811	.779	.912

a. Predictors: (Constan, X5, X2, X1, X4, X3)
Source: Primary data processed, 2015

The output above shows R square (R²) of 0.811 or 81.1% which suggests a contribution of the control environment, risk assessment, control activities, information and communication, and collective monitoring on the performance of employees is a big part which is 0.811 or 81.1%. While the remaining 18.9% (100% - 81.1% = 18.9%) is contributed by other factors.

4. Discussion

Based on the results of hypothesis testing, the variable of contralling environment, risk assessment, control activities, information and communication, monitoring partially give significant effect on on the employees performance.

4.1. Employee Perceptions Influence on Control Environment toward Employee Performance

Perceptions of employees on control environment and employee performance showed t_{count} result on the control environment variable is 2.525 greater than t_{table} which is 2.042 and significant level is 0.017 less than 0.05. Then test states that H_0 is refused and H_a is accepted. so that perceptions of employees on the control environment have significant effects on employee performance. This research is in line with the research conducted by Joseph (2014), Dewi (2012) and Kurniawan (2012) which states that the control environment is the conditions that exist in an organization that will affect the effectiveness of internal control as whole because these components affect on the consciousness of each personnel in the organization on the importance of control.

4.2. Employee Perceptions Influence on Risk Assessment toward Employee Performance

Employee perception on the risk assessment toward the performance of employees showed t_{count} at risk assessment variable is 2,103 bigger than t_{table} 2.042 and significant level 0.044 less than 0.05. Then testing shows that H_0 is refused and H_a is accepted, so that employee perception on risk assessment have significant effects on employee performance. This research is in line with the research conducted by Joseph (2014), Dewi (2012) and Kurniawan (2012) which states that the risk assessment is the identification and analysis of risks that affect the achievement of organizational goals and determine the appropriate action s to deal with those risks. Employees can take the amount of risk and risk assessment into account that make the employee able to avoid negligence in working in order to meet the expected output of the company.

4.3. Employee Perceptions Influence on Management Activities toward Employee Performance

Control activity and employee performance showed t_{count} on control activity variable is 2.087 greater than t_{table} which is 2.042 and the significant level is 0.045 less than 0.05. Then testing states that H_0 is refused and H_a is accepted, so perceptions of employees on control activities significantly influence employee performance. This research is in line with research conducted by Oktarnia (2014), Joseph (2014), and Dewi (2012) which states that control activities will encourage employees to obey and carry out working standards regulations that have been defined. Control activities, in general, is to help ensuring that the action needed and its risks has been taken to achieve the objectives of the company or organization.

4.4. Employee Perceptions of Information and Communication Influence on Employee Performance

Information and communication on employee performance showed t_{count} on information and communication variables is 2,583 bigger than t_{table} 2.042 and significant level 0.045 less than 0.05. Then testing states that H_0 is refused and H_a is accepted. So, Perceptions of employees on information and communication have significant effects on employee performance. This research is in line with research conducted by Joseph (2014), Dewi (2012) and Arens et al (2013) which states that the purpose of accounting information and communications of one entity is to initiate, record, process and report the transactions within an entity and to maintain accountability of related assets. Information is very important because the data processed can be understood by all parties and can be used as reference in the decision, whereas communication is a form of smooth information delivery from various lines within the company either from superiors to subordinates or vice versa.

4.5. Employee Perceptions Influence Monitoring toward Employee Performance Monitoring

Monitoring the performance of employees showed t_{count} on monitoring variable is 2,643 bigger than t_{table} 2,042 and the significant level is 0,013 less than 0.05. Then testing states that H_0 is refused and H_a is accepted. So that, Perception of employees on monitoring significantly affect on employee performance. This research is in line with research conducted by Joseph (2014), Dewi (2012) and Kurniawan (2012) which states that the management has the interest to monitor the internal control with the intention to determine whether the components of internal control executed within the organization has worked effectively over time, and various deficiencies contained in internal controls were identified and communicated in the right time to the interested parties to take the necessary action. Monitoring is essential to note because monitoring plays an important role in maintaining internal and external environment.

5. Conclusion

The results showed that the concept of COSO is one of evidences that could affect Vroom expectancy theory. In other words, the employees perception in the control environment, risk assessment, control activities, information and communication, and monitoring simultaneously affect on the performance of employees of PT. UMC Suzuki Jember. The partial results of research show that: (1) Perceptions of employees on the control environment have significant effect on the performance of employees in the sales division of PT. UMC Suzuki Jember, (2) the employee perception on on risk assessment has significant effects on the performance of employees in the sales division of PT. UMC Suzuki Jember, (3) Perceptions of employees on control activities significantly influence employee performance in the sales division of PT. UMC Suzuki Jember, (4) Perceptions of employees on information and communication have significant effects on the employees performance in the sales division of PT. UMC Suzuki Jember, and (5) Perceptions of employees on monitoring significantly affect employees performance on the sales division of PT. UMC Suzuki Jember.

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