

IMPACT OF MANAGEMENT INFORMATION SYSTEM QUALITY AND STRATEGIC RISK MANAGEMENT ON PERFORMANCE MANAGEMENT MEDIATED BY GOOD CORPORATE GOVERNANCE AT CHIEF OF VILLAGE

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ABSTRACT

Village development aims to improve the welfare of rural communities and the quality of human life as well as poverty alleviation through the fulfillment of basic needs, development of village facilities and infrastructure, development of local economic potential, and sustainable use of natural resources and the environment. Hypothesis testing analyzes the influence of the variable performance management system, good corporate governance, quality of management system and strategic risk management. Based on the level of involvement of researcher in research, this study uses research with a minimum level of involvement (minimal interference), that is, research is carried out in a natural scope with minimal involvement and a natural framework. In terms of the research situation, it is carried out in a neutral and natural place (noncontrive sellings), this study was conducted without the involvement of the researcher in the normal activities of the research subject. The population in this study was 2853 village heads in Banten Province, the tool used was SEM.

Keywords : *Quality management information systems, strategic risk management, performance management, good corporate governance*

1.0 INTRODUCTION

Identification of the main problems related to the development and empowerment of the village community becomes the basis for work and systematic intervention action through the programs and activities carried out by the Directorate General of Village Community Development and Empowerment (Ditjen PPMD). On the other hand, these efforts are also expected to be able to be developed as a stimulus for villages in improving village welfare and independence, and the targets set in the 2015-2019 RPJMN can be achieved, namely reducing the number of underdeveloped villages to 5,000 villages and / or increasing the number of independent villages by at least 2,000. village. Law of the Republic of Indonesia Number 6 of 2014 concerning Villages is a product of the reform era which has marked the beginning of an era towards village independence, both in government administration and in managing village finances. The objectives of village development are to improve the welfare of rural communities and the quality of human life and alleviate poverty through fulfilling basic needs, building village facilities and infrastructure, developing local economic potential, and utilizing natural resources and the environment in a sustainable manner.

Currently, the Village Order is the formal government of the Village community unit, and the village government has power and authority as a delegation from the above government, where the Village is the place for all affairs of all elements of the Village community unit. The success or failure of the Village development program is largely determined by the exemplary level of the Village Head regarding its performance, to what extent the Village Head in planning, mobilizing, motivating, directing, communicating, organizing and implementing can be carried out properly. The Village Government is always synonymous with various community complaints about services that are not optimal.

Table 1.1. RPJMN Village Development Achievements

| MAIN PERFORMANCE INDICATORS | 2015 | | 2016 | | 2017 | | 2018 | | Total |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Target | Result | Target | Result | Target | Result | Target | Result | |
| Increasing the Number of Independent Villages | 200 | 168 | 400 | 570 | 600 | 825 | 600 | 1.102 | 2.665* |
| Reducing the number of disadvantaged villages | 500 | 420 | 1.000 | 1.425 | 1.500 | 2.133 | 1.500 | 2.540 | 6.518* |

*) BPS Podes data for 2018 which is an accumulation of achievements from 2015-2018

From this background, the research problems can be described as follows:

1. Is there a positive influence of the Quality of Management Information System on good corporate governance?
2. Is there a positive influence of strategic risk management on good corporate governance?
3. Is there a positive influence of the quality of management information system on the performance management system?
4. Is there a positive effect of strategic risk management on the performance management system?
5. Is there a positive influence of good corporate governance on the performance management system?

2.0 LITERATURE REVIEW

Village can be defined as a legal community unit that has an original composition based on special rights of origin. The rationale for governance is diversity, participation, genuine autonomy, democratization and community empowerment. Villages can take legal actions, be it public law or civil law, own property, property and buildings and can be prosecuted. The village has a source of financing in the form of village income, government and local government assistance, other legal income, third party contributions and village loans. An autonomous village will provide wide space for development planning which is a real need of the community and is not burdened by work programs from various agencies and the government. Village autonomy is genuine, unified and complete autonomy and is not a gift from the government. On the other hand, the government is obliged to respect the original autonomy that the village has. As a form of democracy, a Village Representative Body is formed in the village which functions as two institutions and supervisors for the implementation of village regulations, the Village Revenue and Expenditure Budget and Village Head Decrees.

Performance Management System

Performance becomes the real foundation in an organization because if there is no performance, the goals of the organization cannot be achieved. Performance needs to be used as evaluation material for leaders to determine the level of HR performance in the organization. The level of performance of an employee is of course determined by the factors that influence it, either directly or indirectly. According to Mangkunegara (2014), it is formulated that the internal factors that affect performance are human performance, motivation and ability. Meanwhile, external factors that influence performance are behavior, attitudes, job satisfaction, actions of colleagues, work facilities, and organizational climate. This is the importance of this HR performance issue, so it is not wrong if the essence of human resource management is how to manage HR performance. Managing humans in an organizational context means managing people so that they can produce optimal performance for the organization, so that it becomes a concept of performance management. An important factor that determines employee performance and organizational ability to adapt to environmental changes according to Bass et al (2006), is leadership. Leadership describes the relationship between the leader (leader) and the being led (follower) and how a leader directs followers will determine the extent to which followers achieve the goals or expectations of the leader (Locander et. al. 2002; Yammarino et. al. 1993). The concept of leadership that is rapidly developing is the concept of transactional and transformational leadership popularized by Bass in 1985 (Locander et. al. 2002). Both leadership concepts are based on styles, behaviors and situations that include a leader (Locander et. al. 2002).

Definition of Performance

The following are some definitions of performance:

1. According to Mangkunegara (2014) performance is the result of work produced by an employee to achieve the expected goals.
2. Handoko (2012), terminates performance with work performance, namely the process through which the organization evaluates or assesses employee work performance. Performance has a broader meaning, not only as a result of work, but also how the work process takes place. Performance is about what to do and how to do it. It is the result of work that has a strong relationship with the organization's strategic objectives, customer satisfaction and makes an economic contribution.
3. According to As'ad (2004), performance is the result achieved by someone according to the size that applies to the job concerned.
4. Withmore (2002) concludes that performance is an expression of a person's potential in fulfilling their responsibilities by set certain standards and one of the total collections of work that is within the worker.

(Bernardin and Russel, 2006 as cited in Ruky, 2011) provide the following definition or performance: "Performance is defined as the record of outcomes produced on a specified job function or activity during the time period." obtained from certain job functions or activities during a certain period of time. Another definition of performance was put forward by Simanjuntak (2011) which states that performance is the level of achievement of results for the implementation of certain tasks. Company performance is the level of achievement of results in order to achieve company goals. Performance management is the overall activity carried out to improve the performance of a company or organization, including the performance of each individual and work group in the company.

Performance Appraisal Requirements

There are approximately two main requirements needed to carry out an effective performance assessment, namely the existence of performance criteria that can be measured objectively and the existence of objectivity in the evaluation process (Gomes, 2013), that for individuals, performance appraisal acts as feedback on various things such as abilities, fatigue, shortcomings and potential which in turn is useful for determining goals, pathways, plans and career development.

Key Performance Indicators (KPI)

Parmenter (2007) defines key performance indicators as a set of measurements that are created to focus on aspects of organizational performance that are most critical to organizational success in present and future conditions. Key performance indicator is a measurement that assesses how an organization executes its strategic vision. The strategic vision in question refers to how the organizational strategy is interactively integrated into the overall organizational strategy. According to Banerjee and Buoti (2012), key performance indicators are both scale and quantitative measures used to evaluate organizational performance in order to achieve organizational targets. KPIs are also used to define measurable objectives, see trends and support decision making. Key performance indicators are quantitative and gradual measures for companies that have various perspectives and are based on concrete data, and serve as a starting point for setting goals and formulating organizational strategies. So based on the description above, it can be concluded that the key performance indicator is a quantitative measurement in evaluating organizational performance that has various perspectives and becomes a reference for achieving organizational targets.

Good Corporate Governance

Governance ensures that all the needs and expectations of the stakeholders of the organization have been evaluated when it determines the goals that must be achieved by the organization. It also provides directions related to priorities and important decisions that need to be taken so that organizational goals can be achieved. Then governance conducts monitoring of the performance and achievement of the targets and directions that have been set. While the management reduces the directions given by governance into actions that the organization needs to take, in order to achieve the targets that have been set.

Quality of Management Information System

According to the term of management information system (MIS), systems have also been defined by experts in a number of different ways. These differences occur because of differences in perspective and the scope of the system being reviewed. The system is a single set of interconnected components with clear boundaries that work together to achieve a set of goals (O'Brien and Marakas 2010). Information system in a simple understanding can be defined as a computer-based system that provides information for several users with similar needs (Sutono, 2007). Information systems are a combination of people, hardware, software, communication networks, data sources, procedures and policies that are well organized which can store, re-organize, store and disseminate information within an organization (O'Brien and Marakas 2010).

Strategic Risk Management

Understanding risk management enables management to engage effectively in facing uncertainty with associated risks and opportunities and enhance the organization's ability to provide added value, (COSO, 2013)

Previous Study

Studies on factors that affect good corporate governance and performance management system have been conducted in the past, with several of them related to financial performance as cited from several sources.

Ristifani (2009), with the research title "Analysis of the Implementation of the Principles of Good Corporate Governance (GCG) and Their Relationship to the Performance of PT Bank Rakyat Indonesia (Persero) Tbk." The results showed that the implementation of GCG principles (PT. Bank Rakyat Indonesia (Persero) Tbk has a value of 84.65%. This is in accordance with the calculation of the results of the questionnaire which shows that the principles of GCG in this company have been implemented well. PT. Bank Rakyat Indonesia (Persero) Tbk has a value of 84%. The result is derived from the calculation of the Spearman rank correlation of 0.914 or 91.40%, which means that it has a very strong unidirectional relationship. 83.53%, where the implementation of GCG principles affects the performance of 83.53% and s the amount of 16.47% is influenced by other factors outside the principles of GCG.

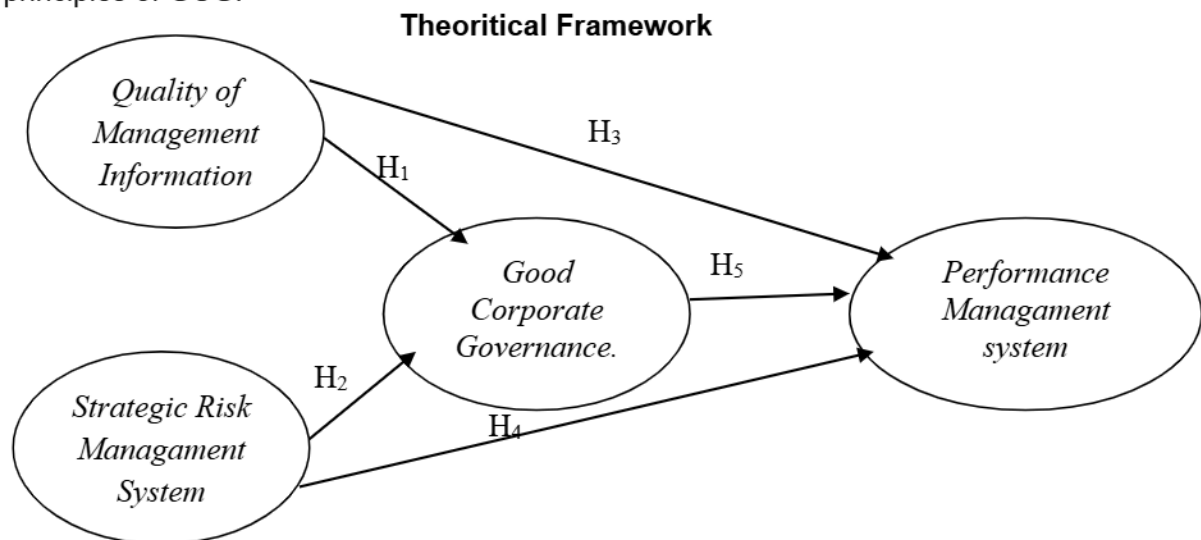


Figure 1: Theoretical Framework

Research Hypothesis

- H₁ : There is a positive influence of the Quality of Management Information System on good corporate governance.
- H₂ : There is a positive influence of strategic risk management on good corporate governance.
- H₃ : There is a positive influence of the quality of management information system on the performance management system
- H₄ : There is a positive influence of strategic risk management on the performance management system
- H₅ : There is a positive influence of strategic risk management on the performance management system

3.0 METHOD

Based on the strategy in conducting research, this study used a survey (survey research), namely using data collection techniques by compiling questions and asking the respondents (Sekaran and Bougie, 2013). Based on the unit of analysis, this study uses an individual analysis unit, namely collecting data from each individual (Sekaran and Bougie, 2013). Based on time, this study uses cross sectional studies, which is done with data collected once daily, weekly or monthly period in order to answer research questions (Sekaran and Bougie, 2013). The questionnaire distribution period was carried out in December 2019. This research uses explanatory research, which is to analyze the concepts and problems under study to see the causal relationship, then explain the variables that cause the problem under study. Structural Equation Modeling (SEM) is used to test the relationship between variables. SEM is a multivariate analysis method which is a combination of path analysis and factor analysis to empirically test measurement models and structural models built through certain theoretical studies. Some other terms of SEM are Latent Variable Analysis, Covariant Structural Analysis, Linear Structural Relationship (LISREL) (Hair et. al. 2013).

Sekaran and Boogie (2013) define population as: "The entire group of people, events or things of interest that the researcher wishes to investigate". The total population in this study was 2853 village heads in Banten Province. Meanwhile, the sample was a small part of the population, trying to represent all the important components of the population, because the population was 2853 village heads in Banten Province, so the sampling in this study used a proportionate stratified random sampling (Sinambela, 2014).

**Table 1: Research Questionnaire
Performance Management System (Balance Scorecard)**

| No | Items |
|----|---|
| 1. | Financial |
| | Village funds obtained are very helpful in village development |
| | The village funds obtained are very helpful in optimizing the village budget |
| 2. | Customer |
| | The village funds obtained are very helpful for the village community |
| | Villagers benefit greatly from the village funds they receive |
| 3. | Environmental / Community |
| | Village funds greatly empower communities and the environment |
| | With village funds it can help environmental development |
| 4. | Internal |
| | Village funds are used with the right mechanism |
| | Village funds have a mechanism for use in accordance with applicable regulations |
| 5. | Employee Satisfaction |
| | The correct use of village funds according to the regulations can improve the image of the Village. |
| | The use of transparent village funds will make the village community happy. |
| 6. | Learning & Growth |
| | Village funds can empower and create health care for rural communities |
| | Village funds help village communities adapt to the outside environment. |

Source: *Balanced Scorecard* (2019)

4.0 RESULTS AND DISCUSSION

In this study, 351 respondents used village heads in Banten through the distribution of proportional randomly selected questionnaires (Proportionate stratified random sampling technique).

Questionnaire Distribution

Characteristics of respondents based on gender can be seen in the following table:

**Table
Gender**

| No | Gender | Participant | Percentage |
|----|--------------|-------------|----------------|
| 1 | Men | 230 | 65,5 % |
| 2 | Women | 121 | 34,5 % |
| | Total | 351 | 100,0 % |

Source: Processed data (2019)

The results of the validity test for all indicators in the quality of management information variable were declared valid because the loading factor was more than 0.7. The test results for the convergent validity of the quality of management information variable can be seen in the table below:

**Tabel
Result of Convergent Validity Test
Variabel Quality Of Management Information**

| Variable | Dimention | Indicator | Loading Factor | AVE |
|--|-----------------------------------|------------------------------------|----------------|------|
| Quality Of Management Information (X₁) | <i>Accuracy of Information</i> | QM1.1 | 0,79 | 0,99 |
| | | QM1.2 | 0,84 | |
| | <i>Relatedness of Information</i> | QM1.3 | 0,99 | 0,77 |
| | | <i>Completeness of Information</i> | QM1.5 | |
| | | | QM1.6 | 0,93 |

Source: Data processed with Lisrel 8.70 (2019)

The results of validity testing for all indicators in the strategic risk management system variable are declared valid because the loading factor is more than 0.7. The test results for the convergent validity of the strategic risk management system variables can be seen in the table below:

**Table
Result of Convergent Validity Test
Variable of Strategic Risk Management System**

| Variable | Dimension | Indicator | Loading Factor | AVE |
|---|--|-----------|----------------|------|
| Strategic Risk Management System (X₂) | <i>Uncertainty</i> | SRM1 | 0,81 | 0,95 |
| | | SRM2 | 0,68 | |
| | | SRM3 | 0,86 | |
| | <i>Impact on the objectives of the Project</i> | SRM4 | 0,83 | 0,96 |
| | | SRM5 | 0,88 | |

Source: Data processed with Lisrel 8.70 (2019)

**Result of Convergent Validity Test
Variable of Good Corporate Governance**

| Variable | Dimension | Indicator | Loading Factor | AVE | |
|--------------------------------------|----------------|-----------|----------------|------|------|
| Good Corporate Governance (Z) | Transparancy | GCG1 | 0,90 | 0,96 | |
| | | GCG2 | 0,92 | | |
| | Accountability | GCG3 | 0,89 | | |
| | | GCG4 | 0,89 | | |
| | Responsibility | GCG5 | 0,85 | | |
| | | GCG6 | 0,88 | | |
| | Independency | GCG7 | 0,81 | | 0,98 |
| | | GCG8 | 0,88 | | |
| | Fairness | GCG9 | 0,89 | | 0,96 |
| | | GCG10 | 0,78 | | |

Source: Data processed with Lisrel 8.70 (2019)

**Table
Result of Convergent Validity Test
Variable of Performance Management System**

| Variable | Dimension | Indicator | Loading Factor | AVE |
|--|---------------------------|-----------|----------------|------|
| Performance Management System (Y) | Financial | PMS1 | 0,74 | 0,97 |
| | | PMS2 | 0,87 | |
| | Customer | PMS3 | 0,91 | 0,98 |
| | | PMS4 | 0,74 | |
| | Environmental / Community | PMS5 | 0,83 | 0,93 |
| | | PMS6 | 0,88 | |
| | Internal | PMS7 | 0,82 | 0,96 |
| | | PMS8 | 0,88 | |
| | Employee Satisfaction | PMS9 | 0,85 | 0,98 |
| | | PMS10 | 0,87 | |
| | Learning & Growth | PMS11 | 0,80 | 0,92 |
| | | PMS12 | 0,86 | |

Source: Data processed with Lisrel 8.70 (2019)

Hypothesis testing is done using structural equation model analysis, here are the results of hypothesis testing:

1. The impact of *quality of management information* and *good corporate governance*
In Figure 4.6, the t-value between the quality of management information on good corporate governance is 2.25, greater than 1.96 (table t value at $\alpha = 5\%$). This means that the quality of management information has a significant effect on good corporate governance, thus H1 is accepted and H0 is rejected.
2. The impact of *strategic risk management system* and *good corporate governance*
In Figure 4.6, the t-value between the strategic risk management system and good corporate governance is 5.26, greater than 1.96 (t-table value at $\alpha = 5\%$). This means that the strategic risk management system has a significant effect on good corporate governance, thus H1 is accepted and H0 is rejected.
3. The impact of *quality of management information* and *performance management system*
In Figure 4.6, the t-value between the quality of management information on the performance management system is 2.61, greater than 1.96 (table t value at $\alpha = 5\%$). This means that the quality of management information has a significant effect on the performance management system, thus H1 is accepted and H0 is rejected.
4. The impact of *strategic risk management system* and *performance management system*
In Figure 4.6, the t-value between the strategic risk management system and the performance management system is 3.14, greater than 1.96 (table t value at $\alpha = 5\%$). This means that the quality of management information has a significant effect on the performance management system, thus H1 is accepted and H0 is rejected.
5. The impact of *good corporate governance* and *performance management system*

In Figure 4.6, the t-value between good corporate governance and performance management system is 3.62, greater than 1.96 (table t value at $\alpha = 5\%$). This means that good corporate governance has a significant influence on the performance management system, thus H1 is accepted and H0 is rejected.

5.0 CONCLUSIONS

Village agencies must implement a good quality management information system, namely having an integrated system, producing and disseminating information for decision making, having a good quality management information system will support the creation of good corporate governance as well. Village agencies must also be able to implement a quality management information system as a system that provides facilities to organizational managers in the form of data and information relating to the implementation of employees' duties in carrying out their work, so that the effectiveness of employees' work can run well. Leaders in village agencies can apply risk management by making work guidelines for their employees that must be applied consistently and responsibly and apply it in organizational activities, so village agencies can apply good corporate governance as well. With the application of professional and responsible risk management, the work carried out can be controlled to reduce and inhibit problems that arise in the future. Village institutions must implement good governance and directly increase the value of the management performance system of village agencies. The higher the implementation of good governance, the higher the level of obedience to village agencies and resulting in good agency performance.

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