

State Owned Enterprises (SOEs), The Problems and Solutions in Financial and Asset Management

Dr. H. Anwar Sanusi, SH, S.Pel, MM

Director of STIE Triguna

Jl. Hang Lekiu III/17 Kebayoran Baru Jakarta Selatan 12120 Indonesia.

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Abstract

State-owned enterprises (SOEs) faced with the demands to produce a better performance by increasing internal working environment. SOE managers need to measure employee productivity associated with the job description, key result areas, and Key Performance Indicators. This method had a goal to determine the indicators of organizational performance and how SOEs achieved the standards of achievement and to plan reward achievement of productivity. This study tested the hypothesis through validation testing theory or application of theory in certain circumstances.

The samples were taken from the overall population of SOE employees in Jakarta. It used purposive method in selecting data the data which retrieved by taking certain data through several criteria.

The study result showed that the respondent perception of communication, work attitude, work ethic, internal control level, risk management practices, and monitoring & evaluation has a significant relationship with work productivity of the employees.

Keyword: Key Performance Indicator, work ethics, audit, risk management, communication and monitoring and evaluation.

Introduction

State-owned enterprises often have been in the spotlight over the performance of managers and their employees. As business organization owned by the government, state-owned enterprises faced with the bureaucratic work patterns. It caused the state-owned companies faces challenges in the procedure (Sari, 2011). As new paradigm of better performance, SOEs must improve their internal control in accordance with the conditions of the working environment.

Internal control levels are weak and allow the fraud occurred. Internal control level consists of work ethics, audit, risk management, communication and monitoring and evaluation (Abbott, 2002). How far the quality of internal control level can be seen from the readiness of state-owned enterprises in preparing these components. Besides of the well-being and comfort of work also determines how strongly employees of state-owned companies build performance (Nguyen, 2011). Sometimes there is a perception and motivation which affect their performance.

Human resource is an important factor in achieving the goal of efficient and effective SOEs (Sutiyono, 2007). SOE administrators need to measure employee productivity associated with the job description, key result areas, and Key Performance Indicators. This method also aims to determine the indicators that led to increased individual performance through achievement planning and standards of achievement. In addition, it also needs standardization of the internal and external goal of the SOEs (Hervani, 2005). The success of SOE internal and external goals is not entirely dependent on the administrators and the management, but also employee involvement in the activities and achievement to fulfill the goals. Therefore, employees are important factor

for the successful SOEs which should be developed by placing proper position of excellence employees in accordance with its capabilities and expertise (the right man on the right place).

Efforts to achieve the objectives of SOEs can be realized through increased productivity. Their higher productivity will create efficient operation of SOEs. However, administrators as the SOEs managers must also anticipate all the challenges and obstacles in the internal and external issues to improve the efficiency (Kephart, 2003).

Since SOEs is bureaucratic company, it has to adapt to the regulation and authority while making changes in the workings of company to respond to the needs of employees and customers. In addition, it also has to reformulate their work pattern to develop initiative and creativity to think, and utilize their potentials which impact on the government revenue. Therefore, the state is required to be innovative and creative. However, what they do is still far from their competence as professional public servants who are characterized by many problems, e.g., bureaucratic cases, violations of code of ethics and indiscipline behaviors especially related to risk management and performance evaluation.

For the code of ethics, it is showed from many cases conducted by many employees of Accounting and Reporting Section especially on how they doing bookkeeping documentation. Sometimes the most problem happened is the late reporting was made. In addition, in performing the duties and functions, there are various difficulties on the complexity of the structure of human resources and budgeting of their operation. Furthermore, SOEs also face problems such as fluctuated productivity due to workplace migration and also the structural changes of the employees due to restructuring policies which impact on the loss of great talent in their enterprises.

The restructuring process will impact on the new arrival of employees group and finally it creates overlapping of authority (Massey, 2013). In addition, the different employees may have different responsibility and expertise which makes them difficult to build unified communications (Nonaka, 2000). Exacerbated by unstandardized working conditions and management policies, it impact on the difficulties in the human resources measurement to fulfill the general objectives of SOEs.

There are several issues observed in this paper. Primarily, it is related to productivity measurement issues of SOE employees and their evaluation indicators to establish the performance improvement plan. In addition, it is also important that productivity is measured through their job description and key result areas which balanced with the bonus calculation of performance.

Based on the background above, the proposed research hypothesis can be arranged as follows:

- H1 : There is a relationship between the perception of the work attitude and informative communication on work productivity.
- H2 : There is an influence of the work ethics on work productivity.
- H3 : There an influence of internal control level on work productivity.
- H4 : There is an influence of risk management practices on the work productivity.
- H5 : There is an influence between work attitude and informative communication on work productivity.
- H6 : There is an influence between the monitoring and evaluation of work productivity.

Literature review

Work Attitude and Informative Communication

Work attitudes related to salary and promotion. Work attitude is also associated with the views and feelings of the employees to treat each other and the subjective perception of the individual decisions, procedures and performance evaluation process (Day, 2004).

Windahl,(2008) defines the scope of communication in the form of dissemination of information, ideas, attitudes or emotions of a person or group to another, especially through meaningful symbol. Pempek,(2009) stated that communication can be defined as social interaction through messages.

Communication style has much form from informative to communicant till persuasive models. For informative model, it has a goal to build understanding to the receivers and improve the acceptance of meaning. For persuasive model, the communicant is willing to accept information based on the desire of the communicator circumstances and conditions(Kim,2010).

Both of these goals will determine the media and communication strategies to be undertaken (Nutbeam, 2000). Manager has the main goal to increase the communication skills of their subordinates and build the subordinate ability to forward the information to their peer employees. However, the information obtained is then forwarded to other employees and may experience bias and changes of meaning mainly is related to the different working environment, various perceived risk control, as well as differences in the interpretation among employees.

Therefore, SOEs managers need to ensure there are communication standards in work attitudes and communications. Every employee needs to be trained to convey the information must be informative without strings attached and confusing. When the information is not based on accurate data and informative, the communication will run without direction and confusing meaning will result. This will impact on the quality of auditing and reporting which refracted away from the rule of standards (Kershaw, 2005).

Therefore, management needs to train all employees to get used to build external information to assess the events and circumstances that affect the performance of each and documenting into an accurate record of the work as promotional materials and career.

Fraud And Internal Control Level

Definition of fraud was taken from Webster's New World Dictionary (2008) that :

"Fraud is a common terminology of various meanings of cunning, guile human trickery of a person or organizational members to gain an advantage (in) over others through the presentation of the wrong way from the stated procedure or agreement. There are no standard rules that can be used as a more appropriate word to give universal definition fraud unless ways of trickery, unnatural, and cleverly so that other people are deceived. The only restriction that may be about fraud is typically carried out from the actor of dishonest."

According Meckel,(2014) fraud occurred at two levels, namely the employee- and management- related fraud. In addition to some classifications, there are three driving factors of a person or group in doing fraud known as the "fraud triangle", which consists of pressure (pressure), opportunity (opportunity) and rationalization (rationalization). Fraud triangle is usually used to identify and assess the risk of fraud.

Fraud in SOEs context included a series of unnatural acts and deliberate illegal to produce false perceptions about the advantages or disadvantages performed by people outside and inside SOEs. The cheating in SOEs is potentially occurred from the misappropriation and embezzlement of state-owned assets resulted in a false or misleading statement. It is also resulted from the possibility of weaknesses in internal control level. Thus

internal control level is a critical step in reducing the fraud. It is typically has three components, namely, efficiency of operations, reliability of internal data, and adherence to regulations.

Work ethics and risk management

Robbins,(2013) explained that each organization is responsible for trying to develop an organizational behavior that reflected the honesty and ethics which communicated and handled by all employees. The culture must have roots and have noble values that form the basis for the ethical management of an organization or an entity. Ethics according to Bandura,(2001) was the belief regarding the action right and wrong and good action that bring benefits in long term.

The work ethic is a representation of the behavior of all employees which communicated in writing and handled through managerial decision making. The work ethic in the long run turn into a work culture and eventually formed as the behavior of all employees. Work ethics should be emphasized starting from top managers to all employees. It takes SOEs management willingness to establish culture of ethical behavior and anti-fraud to assess and evaluate the SOEs activities. The managers need to build an independent commitment to guarantee confidence of regulations that systematically can evaluate and improve the effectiveness of risk management, control and process control and management of SOEs. The uncertainty of this task fulfillment can undermine the reputation of the state-owned enterprises.

Therefore, the task must be managed in order to be measured and determined as the appropriate strategies to fulfill the common objectives of SOEs. Although the risk cannot be avoided, but it can be done in anticipation of the train all SOE managers to understand and increase their knowledge to determine the priority and anticipation of the corresponding program so it does not disrupt the company's operations.

Monitoring and evaluation

According to Steiner,(2000) monitoring is the process of determining the quality of internal control to achieve performance over time. This monitoring includes determining the design and operation, control and taking timely corrective action. This process is carried out through activities that take place on an ongoing basis, evaluating separately, or their combinations. Jensen,(1993) explains that the system of internal control levels can be monitored regularly or through a special evaluation. Such evaluation activities can be done by observing the behavior of employees and the signs warning of the accounting system. Monitoring in the form of special evaluation is often done in case of major changes in strategy, senior management, business structure or operations.

Productivity and employee performance

Productivity and performance is a result of work output. Productivity is considered as the results achieved while the performance of a product is a result of the use of resources.

Productivity can be considered as partial, total or comparativeness of result. While the performance is regarded as the degree of efficiency and effectiveness in the use of resources related to the results. There are many studies with their models and multidisciplinary approach on productivity and performance. Aboelela,(2007) It is often the factor that observed the formulation of objectives, plans, development, and implementation of productive ways and resources efficiently in maintaining quality of work. Whereas, performance is related to all human effort by using skills, capital, technology, management, information, energy, and other resources, for the steady improvement of the quality of life for all members of the organization.

In terms of organizational performance, it can be measured through the usage of organizational resources are used in the production process by their employee.

If the organizations have set new mission on the results-oriented or better output, they can fulfill the organizational goals.

SOE and resource settings

SOE as a form of government business can be defined as a vessel, as a process, as a behavior and as a means to achieve the common goal of SOEs as state assets in order to satisfy the needs of the general public. Therefore, the achievement needs element cooperation and objectives to achieve the organizational goals.

As public organization, it has to work by the government and representatives of the people who faced challenge to operate more efficiently and effectively (Rainey, 2009). In addition, the state should be able to operate with a full sense of responsibility. Therefore, the managers must know and understand the operation systems and resource settings to get involved in the work activity, in which each activity must be arranged in a systematic order to achieve the predetermined goal.

To achieve a competitive advantage, the state needs to undertake various actions to transform inputs of raw materials into marketable goods or services (Sullivan, 2008). To measure the effectiveness of the state-owned enterprises, it can be done through the competence approach to achieving goals, capabilities and human resource utilization. Managers need to measure the implementation of activities or functions to the achievement of enterprise purpose with the available tools and resources (Al-Mashari, 2003). The goals and means of achieving them determine how SOEs realize the vision and mission. Therefore, the benchmark of SOEs effectiveness included measuring the level of productivity, clarity of achievement strategies.

In a practical concept, the managers had to explain the process of analysis and policy formulation programs, especially in the provision of facilities and infrastructure to be monitored under suitable control systems.

Research method

Based on the research objectives, this study was deductive research. Deductive research had a goal to test the hypothesis through validation testing theory or application of theory in certain circumstances.

The samples taken from the overall population. In this study the sample was taken from SOE employees of Jakarta. The method of selecting data in this study was purposive which retrieved by taking certain non-randomly data.

Quantitative data derived from secondary data used to support the analysis of the overall study as evidence for the conclusion phenomena between independent and dependent variables, to analyze the effectiveness of Jakarta in financial management and assets that impacted on the SOEs effectiveness in achieving their common goals.

Analysis and Discussion

Reliability test

Reliability test is used to measure a questionnaire as indicator of the variables or constructs to be observed. A questionnaire must be reliable and consistent to collect the respondent's answer.

The reliability testing in this study used Cronbach Alpha. In addition, it also determines whether a variable is reliable to compare the value of t-count toward r- table of 95% significance level. Cronbach's alpha is used to find the value of t-count and r-table. If t-count is greater than r-table and alpha count is positive, then a research instrument is reliable (Tamunu, 2014).

After analysis of the items with SPSS ver.16.00 with reliability analysis, it obtained the scale as follows:

Table 1. Reliability test results of the perception of variable work attitude and informative communication, work ethic, internal control level, risk management practices, and monitoring and evaluation, on work productivity

Variable	Cronbach's Alpha	Critical Point	Description
Perception work attitude and informative communications	0.890	0.60	Reliable
work ethic	0.844	0.60	Reliable
Internal control level	0.919	0.60	Reliable
Risk management practices	0.884	0.60	Reliable
Work attitude and informative communications	0.950	0.60	Reliable
Monitoring and evaluation	0.817	0.60	Reliable
labor productivity	0.797	0.60	Reliable

Source: Analysis Result of SPSS ver.16.0

Under the provisions that Cronbach's alpha value in the reliability table is equal to or greater than 0.60 then the question is reliable. Reliability values which obtained from the analysis result showed that Cronbach's alpha is 0.890 higher than the area of critical point 0.60. It means the reliability values $0.890 > 0.60$, therefore, the proposed questions on work attitude and perception variables informative communication is reliable. Reliability values obtained with Cronbach's alpha of 0.844 and areas of reception critical point is 0.60. Since $0.844 > 0.60$, then the proposed questions on work ethic is reliable. For variable of internal control gained reliability of Cronbach's alpha of 0.919 and areas of acceptance critical point is 0.60 which meaning $0.919 > 0.60$, then it is reliable. Similarly for risk management practices, work attitudes and informative communications is also reliable. This is also true for the monitoring and evaluation since $0.797 > 0.60$, then the proposed questions is also reliable.

Multicollinearity Test

Multicollinearity test is classical assumption to test how regression model can find a correlation between independent and independent variables. If there is a correlation between the members of the independent variables in a series of a particular sample, or if one independent variable is changed, then the other independent variables will change as well (Beck, 1998).

A good regression model does not have Multicollinearity symptoms which mean there is no correlation between the independent variables with other independent variables. Symptoms of Multicollinearity in a regression model can be seen from the Variance Inflation Factor (VIF) and tolerance value. The basic rule is that if $VIF > 10$, then the regression model has Multicollinearity symptoms. Therefore, if the tolerance value is smaller than 0.10 (tolerance < 0.10), then the regression model has Multicollinearity symptoms.

Table 2.

Results of Multicollinearity Classical Assumption Test

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	3.769	2.318		1.626	.107		
Perception work attitude and informative communications	.154	.141	.251	1.381	.004	.230	4.339
work ethic	.104	.146	.098	.714	.026	.221	4.520
Internal control level	.154	.136	.256	1.398	.012	.210	4.756
Risk management practices	.272	.146	.261	1.861	.005	.211	4.733
Monitoring and evaluation	.797	.074	.705	10.727	.000	.963	1.039

a. Dependent Variable: labor productivity

Source: Analysis Result of SPSS ver.16.0

Multicollinearity test results in Table 2 above showed that the work attitude and informative communications have tolerance value of 0.230 and VIF value of 4.339. The variable of work ethic has a tolerance value 0.221 and VIF value 4.520. The internal control level has tolerance value 0.210 and VIF 4.756. The risk management practice has tolerance value 0.211 and VIF 4.733. For the variable of monitoring and evaluation, it has tolerance value 0.963 and VIF 1.039. From these tests it can be seen that tolerance value from the five independent variables is greater than 0.10 (tolerance > 0.10) and VIFs of the five independent variables are less than 10 (VIF < 10), it can thus be concluded that there is no Multicollinearity symptoms of the regression model.

Multiple Linear Regression

Multiple regression analysis is used to predict how fluctuations of the dependent variable through two or more independent variables. In this study there were five independent variable e.g. work attitude, informative communication, work ethic, internal control level, risk management practices, and monitoring and evaluation, while the dependent variable is labor productivity. The results of multiple linear regression analysis of the five variables are given in Table 3.

Table 3. Results of testing variable perception and communication informative work attitude, work ethic, internal control level, risk management practices, and monitoring and evaluation, on work productivity

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.769	2.318		1.626	.007
	Perception work attitude and informative communications	.154	.141	.251	1.381	.004
	work ethic	.104	.146	.098	.714	.026
	Internal control level	.154	.136	.256	1.398	.012
	Risk management practices	.272	.146	.261	1.861	.005
	Monitoring and evaluation	.797	.074	.705	5.727	.000

a. Dependent Variable: labor productivity

Source: Analysis Result of SPSS ver.16.00

From the above analysis is, it found the multiple linear regression equation for the independent variable and dependent variables as follows:

$$Y = 3,769 + 0.154X_1 + 0.104X_2 + 0.154X_3 + 0.272 X_4 + 797X_5 + e$$

The analysis results above showed that the value of a (constant) was 3.769 means that if all variables have zero value, then the minimal value of the equation is 3.769. This means the work productivity will reach only 3.769.

T-test

T-test is used to test the strength of the hypothesis proposed in this study. The t-test results can be seen in Table 3 of simple linear regression with the following explanation:

H₁: There is influence of work attitude and informative communication on labor productivity in state-owned PT ABC.

Based on analysis results of simple linear regression analysis, the variables of work attitudes and informative communication obtained regression coefficient t-value = 6.436 with a significance level of 0.000. By using the significance limit of 0.05, t obtained t-table of 0.676. This means that t-count is greater than t table, 1.381 > 0.676, then H₀ is rejected and H_a is accepted. Therefore, the first hypothesis (H₁) is accepted in this study. Direction of the positive regression coefficient means that work attitudes and informative communication have significant positive influence on the increase of the labor productivity in state-owned in Jakarta. In other words, it can be concluded that work attitude and informative communication were important and influential in improving labor productivity in state-owned enterprise in Jakarta.

T-test results which showed in Table 3 showed the results of simple linear regression as below.

H2: There is a work ethic to the increasing influence of labor productivity in state-owned in Jakarta.

Based on the simple linear regression analysis results, work ethic gained regression coefficient values of 0.104 with t-count was 0.714 and significance level of 0.026. By using the significance limit of 0.05, it obtained t table of 0.676. This means that t-count is greater than t table, $0.714 > 0.676$, then H_0 is rejected and H_a is accepted. Therefore, the second research hypothesis (H_2) is accepted (proved). Direction of positive regression coefficient has meaning that the employees' work ethic in the state-owned in Jakarta has a significant positive effect on labor productivity. In other words, it can be concluded that work ethic is important and influential in increasing labor productivity in state-owned in Jakarta.

T-test results in Table 3 showed the simple linear regression equation of H_3 which can be explained below.

H_3 : There is a level of influence on the improvement of the internal control which increasing the productivity of the employees in the state-owned in Jakarta.

In addition, from the simple linear regression analysis, the variable internal control level gained regression coefficient 0.154 and t-count = 1,398 with significance level of 0.012

By using significance limit of 0.05, it obtained t-table of 0.676. This means that t-count is greater than t-table, $1.398 > 0.676$, then H_0 is rejected and H_a is accepted. Therefore, the third research hypothesis (H_3) is accepted in this study. Direction of positive regression coefficient means that internal control level has a significant positive effect on improving labor productivity in Jakarta. In other words, the internal control level is important and influential in increasing labor productivity in the company.

T-test results which showed in Table 3 explained the simple linear regression equation as below.

H_4 : There is the influence of risk management practices to increase labor productivity in state-owned in Jakarta.

Based on the simple linear regression analysis, risk management practices, it gained regression coefficient values 0.272 and t-count 1.861 with a significance level of 0.005

By using the significance limit of 0.05, it obtained t-table 0.676.

This means that t-count is greater than t table, $1.861 > 0.676$, then H_0 is rejected and H_a is accepted. Therefore, the fourth research hypothesis (H_4) is accepted. Direction of positive regression coefficient means that the practice of risk management has a significant positive effect on the increase in labor productivity in the observed company. In other words, it can be concluded that the practice of risk management is important and influential in improving labor productivity in Jakarta.

T-test results as showed in Table 3 can be explained as below.

H_5 : There is the influence of monitoring and evaluation toward the increase of labor productivity in state-owned in Jakarta.

Based on the analysis results above, the monitoring and evaluation variable regression coefficient values obtained for 0.797 and $t = 5.727$ with significance level of 0.000

By using the significance limit of 0.05, it obtained t-table of 0.676.

This means that t-count is greater than t-table, $5.727 > 0.676$, then H_0 is rejected and H_a is accepted. Therefore, the fifth research hypothesis (H_5) is accepted. Direction of the positive regression coefficient means that the variable of monitoring and evaluation has a significant positive influence on the increase in labor productivity in state-owned in Jakarta. In other words, it can be concluded that the monitoring and evaluation is crucial and influential in improving labor productivity in the company.

F-test (ANOVA)

F test is to determine whether the five variables being observed will simultaneously have significant influence on the productivity of labor.

F-test analysis results were showed in Table 4.

Table 4.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	909.461	5	181.892	25.267	.000a
	Residual	820.664	114	7.199		
	Total	1730.125	119			

a. Predictors: (Constant), Monitoring and evaluation, risk management practices, work attitude and perception of informative communication, work ethic, and internal control level

b. Dependent Variable: Labor productivity

Source: Analysis result of SPSS ver.16.00

Based on Table 4 above, the results of hypothesis testing using SPSS Ver. 16:00 with a significance level of 5%, it obtained F-count 25.267 and a significance of 0.000. While F tables showed a significance level of 5% by numerator df (k-2) and denominator df (nk) of and obtained the value of $F(3: 114) = 2.68$. Therefore since F-count is higher than F-table, $25.267 > 2.68$ and significance limit of 0.000 is less than 0.05, then H_0 is rejected and H_a accepted. Thus, the sixth research hypothesis (H_6) is accepted. It can be concluded that the perception variable work attitude and informative communication, work ethic, internal control level, risk management practices, and monitoring and evaluation, together (simultaneously) has significant influence on the productivity of labor.

R² Test (coefficient of determination)

Coefficient of determination analysis has an objective to determine how much ability of independent variables (variables of perceived work attitudes and informative communications, work ethic, internal control level, risk management practices, and monitoring and evaluation) together can explain and influence the dependent variable (labor productivity). From the analysis result using SPSS Ver. 16.00, it gained value of R² (Adjusted R Square) in Table 5 below.

Table 5.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725 ^a	.526	.505	2.683

a. Predictors: (Constant), Monitoring and evaluation, risk management practices, work attitude and informative communication, work ethic, internal control level

b. Dependent Variable: Labor productivity

Source: SPSS processing ver.16.00

From Table 5 above, it gained correlation result r was 0.725; it explained that all five variables had positive, unidirectional, and very high direction. If the value of the independent variables rises, then the value of labor productivity will also rise. The coefficient of determination R^2 (Adjusted R Square) was 0.526 or 52.6%. It meant that the contribution of independent variables together of the five variables toward labor productivity was 52.6%. Whereas, the remaining 47.4% is explained by other variables which not observed in this study.

Discussion

Variable-rate quality of internal control (KPI) is a moderating variable of work attitude and informative communication as a driving force of labor productivity and the quality internal control level procedures as a chance occurrence of labor productivity. Because the value of the coefficient is negative and significant, we can conclude that if the organizational justice and the quality of its internal control procedures were poorly implemented, it will increase reversely on the labor productivity.

Based on the demographics of the respondents which majority has long term worked on their departments, it implied they have various perception on the fairness of the management to each employee. Therefore, the employees feel various perceived justice between reward and punishment which reduce the work productivity.

In addition to the high level of education, their work experience must be considered by the SOE management and synchronized with the internal control level.

The results are consistent with the theory advanced by Skalicki et al (1999) and Henle (2005) in Rae and Subramaniam (2008). Their study results indicated positive relationship between the perception of the work attitude and informative communication. MacArthur et al (2003) in Rae and Subramaniam (2008) also found that poor internal controls allow fraud of significant duties to the performance. Based on several studies, it suggested that the fraud committed by employees, most likely occurred in situations when there are some impulse in the organization, e.g., lower work attitude, disinformative communication, and opportunity to commit joint fraud. Additionally, in situations when work attitude and informative communication is unsynchronized, it would lead to higher employee fraud. In addition, the lower quality of internal control will open the opportunity of the fraud.

From the regression analysis results above, it could be implied that work ethics is related to the increased labor productivity. The results were consistent with previous studies conducted by Maya Praise Febriana and Muhammad Zama'sari (2010) which proved the existence of a significant effect of the work ethic on the

productivity. It implied that ethics is a set of structures and principles of human life in the workplace that influenced the employees' principles of behavior and actions so that ethics is a crucial factor for the creation of anti-fraud behavior.

Based on the respondents demographics with their long-term work experience, they consider that they needed more respects especially from the new employees who sometimes they act quite unethical, for example throwing its responsibilities to others and do not obey the rules of ethical standards in their departments.

Based on the analysis result of the internal control level, averagely, the respondents stated that internal control level in in their department has been evaluated yearly. It explained why the SOE can increase their internal control level. The effort brought significant effect on the employees working standards of the internal control level. The working standard had improved the internal control procedures which essential to detect the fraud as well.

In this study, it showed that the wider function of internal control level (i.e. the greater the number of audits), the more likely the weakness in internal control level procedures was identified. Furthermore, through better identification of weaknesses of internal control procedures, then the corrective measures can then be done rightfully which leads to internal control level. These results supported by Moyes and Baker (1995) in Rae and Subramaniam (2008) which suggested that the increased use of suitable audits techniques will help the SOE auditors to identify the weakness of the internal control level.

There is significant internal control level to increase labor productivity in the SOE. Since the Internal control is a process designed to provide adequate assurance regarding the achievement of management objectives and the reliability of financial reporting, then the effectiveness and efficiency of operations must be in compliance with laws and regulations (Arens, 2006: 412). According Mulyadi (2007), this included the internal control structure organization, methods, and coordinated measures to safeguard the wealth of the organization, check the accuracy and reliability of accounting data, promote efficiency, and encourage compliance with management policies. In addition, it is also necessary to do the planning strategy through a performance measurement system to know the extent of the strategy effectiveness and assess the success of the internal control for the SOE. In addition, since the performance measurement is the core component of the management control system, therefore, this must be included in the work standards to reduce the fraud.

From this study analysis, there was the influence of risk management practices to increase labor productivity in the state-owned in Jakarta. Generally, the enterprise risk management sometimes can be undertaken by the Board of Commissioners, Board of Directors, the management and employees of the company to identify, analyze, manage, and handle the risks that may affect the achievement of corporate goals. The process management and risk management is carried out within the limits of risk level to improve the SOE achievement of the overall organizational objectives.

Based on Minister of State Owned Enterprises No. PER-01 / MBU / 2011 dated August 1, 2011 on Application of Corporate Governance for SOEs, the Board of Directors shall arrange the a risk management manual to be implemented by the management parties in order to reduce the systemic risk of SOEs as part of GG policies. This must be done through reports implementation and handling risk management profile in conjunction with periodic reports the company. Therefore, risk management practices must be escorted by congruent principles in order to implement the good governance policies effectively.

Conclusions, implications, suggestions and limitations

The quality of internal control was a moderating variable of work attitude and informative communication in this study. They are the driving force of labor productivity. Because the value of the coefficient is negative and significant, it was concluded that the poor implementation of SOE organizational justice and internal control

procedures will reversely increase the productivity. From the various variables analyzed above, it appeared that internal control level played an important role for the SOE to ensure increased productivity and performance.

After doing the analysis using residual test, it showed the existence of work attitude and informative communication on work productivity. Additionally, from the regression test result, it showed a significant relationship between the internal control level and monitoring and evaluation on the SOE's work productivity.

The result of this study can help the SOEs auditors to conduct planning strategy and performance measurement system which useful to evaluate the effectiveness of the internal control for the organization. Since the performance measurement is the core component of the management control system to increase organizational success. From all aspects of belonging in management activities, monitoring and evaluation is the only aspect that was instrumental. However, there are performance indicators which are hardly available. Another factor that also reduced the value of monitoring and evaluation is the overlapping of various program activities and their policies which impacted by other factors which not observed in this study.

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