

## **THE CORRELATION OF MANAGEMENT CONTROL SYSTEM COMPONENT AND FINANCIAL MANAGEMENT (CASE STUDY OF GMIM'S HOSPITAL IN MANAOD AND TOMOHOH)**

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### **ABSTRACT**

In the era of ASEAN free market, companies that want to grow should have made changes. Among the changes made by the company is about the performance in the company or profitability. To be able to do so it requires the ability, the willingness of management who are experienced in managing and allocating the economic resources of the company systematically, effectively and efficiently so that the company to gain maximum profit, therefore the company must be able to control the assets, income and cost as much as possible. The study was conducted at GMIM Bethesda Hospital in Tomohon City and GMIM Pancaran Kasih Hospital in Manado City, North Sulawesi. The purpose of this research is to get empirical evidence about the relationship of management control system component (SPM), that is quality goal, quality feedback and quality incentive with financial performance at GMIM Bethesda hospital in Tomohon and Pancaran Kasih in Manado Data analysis method used is correlation analysis method. The value of this correlation coefficient is the value used to measure the strength (closeness) of a relationship between variables. In this case between quality goal variables and financial performance, quality feedback and financial performance and quality incentive and financial performance. From the results of data analysis found that quality goal, quality feedback and quality incentive and have a close relationship with financial performance.

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**Keywords** : Financial management, quality goal, quality feedback, quality incentive

### **INTRODUCTION**

In MEA free competition, Hospitals are required to improve their performance. The hospital can be said to be a complicated business entity because it has many cost items from various activities so it is very difficult to control. As a consequence of this problem it is imperative for hospital managers to better understand financial problems, in order to achieve maximum efficiency in the use of hospital resources to improve competitiveness. To achieve these efficiencies requires better management implementation, including the field of planning and control of the use of available resources. One of the tools that the organization needs to realize the optimal planning and control is the budget (budget) is arranged well from year to year. So the hospital as an organizational unit requires control in performing its activities, more specifically how managers apply management control systems to their



employees so as to motivate employees in achieving organizational goals. Control can be done by providing a role for each manager to plan the revenue and / or costs he / she is responsible for, and then present the realization information of the income or expenses according to the responsible manager.

## **LITERATURE REVIEW**

### **Management Control System**

According to Robert N. Anthony and Govindarajan translated by Tjakrawala (2005), management control is imperative in an organization that practices decentralization. One view argues that the management control system must be in line with the company's strategy. This implies that the strategy was first developed through a formal and rational process, and this strategy then determined the design of the company's management system. An alternative perspective says that strategy emerges through experimentation that is influenced by the company's management system. According to this view, management control systems can influence the development of strategies. Anthony Dearden Bedford translated by Maulana (2000), controlling components or subsystems of SPM are: quality goals, quality feedback and quality incentives are expected to improve conditions that motivate business unit workers to achieve the desired outcomes or determined. This view holds that the control system will affect the direction and level of effort shown by the individual. Another dimension of a management control system that potentially affects workers and company performance is not included in this paper.

### **Quality Goal**

Organizations generally use financial and non-financial measures to motivate managers to meet quality goals. Objectives are usually unrelated to time and have no time limit, though information gained during the management control process can cause the goal to change. Once objectives are established, strategic planning processes can be used to develop strategies in the form of ways to achieve goals. While programs for setting strategies are set up, it is often time to set general corporate policies such as statements to the public about the company's attitude that the consumer is always right, can be made as well. For the implementation of the program to implement the strategy can be embedded into the annual budget for management control in the year concerned. Goals, strategies and policies are considered to be in the management control process. Management control aims to implement strategies and interests with the efforts of managers and employees to achieve corporate organizational goals.



### **Quality Feedback**

Feedback control system, often also called "ex-post control system". If a linear programming formulation of the planning process is reportedly applied successfully in relation to the petroleum refinery model in an attempt to test the possibility of system work. Feedback on performance is needed to enable employees to determine the relationship between their own behavior and outcomes from the production process. More broadly, employees receive and use the feedback as subject of checks and controls. In terms that affect performance, feedback lowers the motivational power almost exclusively from the information provided about employee performance about the level of clarity of the role of a task to be performed.

### **Quality Incentive**

A departmental way of personnel improves job performance, motivation and employee satisfaction through compensation. Compensation is everything that employees receive as a reward for their work. Compensation issues may be the most difficult and confusing personnel management functions. Not only is giving compensation the most complex task, but also one of the most meaningful aspects to employees and organizations. Although compensation must have a logical, rational and sustainable basis, it involves many emotional factors from the employee's point of view. Compensation programs are also important to the company, as they reflect the organization's efforts to maintain its human resources. In addition, compensation (in the form of wages and other remuneration) is often the largest and most important cost component. If remuneration and remuneration are not properly administered, the company may lose its good employees and should incur costs to attract, select, train and develop its successor. Even if employees do not get out, they may become dissatisfied with the company and lower their productivity.

### **Financial Management**

Usually the company's performance is measured based on the profit generated that can be directly seen in the income statement of the company. But for more accurate performance measurement is needed a more in-depth analysis of the financial statements of a company. This is general data available for that purpose. The financial statements are periodic "scorecards" that include investment returns, operations and expenditures.

The main purpose in a company is to achieve profit, it can be reflected from the performance of the company itself. Therefore, it is necessary to measure / assess the company's performance. The measurement is not solely on the input, but rather emphasized



on the output or benefit of the program. Measurement / performance appraisal is the process of recording and measuring the achievement of the implementation of activities in the direction of achieving the mission through the results displayed some products, services or a process. On that basis, performance measurement is a reasonable basis for decision making

### **Hypothesis**

- H<sub>01</sub>** : Quality goal does not have correlation on financial management.
- H<sub>a1</sub>** : Quality goal has correlation on financial management.
- H<sub>02</sub>** : Quality feedback does not have correlation on financial management.
- H<sub>a2</sub>** : Quality feedback has correlation on financial management.
- H<sub>03</sub>** : Quality incentive does not have correlation on financial management.
- H<sub>a3</sub>** : Quality incentive has correlation on financial management.

## **RESEARCH METHODOLOGY**

### **Population**

The target population in this study is top management and middle management who are considered to be compiled to fill out the questionnaires that are in GMIM Pancaran Kasih Manado Hospital and GMIM Bethesda Tomohon Hospital. This study takes all the population because of the small scope of the respondents.

### **Analysis Method**

The method used is correlation analysis method. According to Jonathan Sarwono (2006: 86) the value of this correlation coefficient is the value used to measure the strength (closeness) of a relationship between variables. The purpose of correlation test to test the relationship of 2 variables that do not show the functional relationship.

## **RESULT AND DISCUSSION**

This research was conducted on 10 respondents that is top management and middle management of GMIM hospital. The study was conducted at GMIM Hospital Bethesda Tomohon and GMIM Hospital of Manado Love Paint. Management Control Systems in both hospitals were investigated based on observations, interviews, and questionnaire distributions. Management control is a process whereby managers influence other organization members to implement organizational strategy. This process involves interactions between individuals that can not be described in a mechanical way. Managers have personal goals and organizational goals. The main control problem is to influence managers to act for the achievement of their personal goals in such a way as well as to help the achievement of organizational goals for the achievement of goal alignment (Goal



Congruence). The following is presented a general overview of respondents who became the population in this study:

**Table 1.** Responden Characteristic Based on Gender

Gender	Number of Responden	Percentage
Man	6	60%
Woman	4	40%
Total	10	100%

*Source : SPSS Output, 2017*

From table 1 it can be seen that the respondent's gender consists of 6 men with a percentage of 60% and women as many as 4 people with a percentage value of 40%.

**Table 2.** Responden Characteristic Based on Formal Education

Formal Education	Number of Responden	Percentage
Bachelor (S1)	8	80%
Undergraduate (D3)	2	20%
Total	10	100%

*Source : SPSS Output, 2017*

From table 2 it can be seen that the education level of most respondents is Bachelor (S1), that is as many as 8 people with percentage value of 80% and 2 people with diploma education level (D3) with a percentage of 20%.

**Table 3.** Characteristic Respondent Based on Management Level in Pancaran Kasih Hospital

Management Level	Number of Respondent
Top Management	
1. Director	1
2. Vice Director	1
Middle Management	
1. Head of Financial Department	1
2. Head of Secretariat Department	1
3. Head of Nursing Department	1
TOTAL	5

*Source : SPSS Output, 2017*

**Table 4.** respondent Characteristic Based on Management Level in Bethesda Hospital

Management Level	Number of Respondent
Top Management	
1. Director	1
2. Vice Director	1
Middle Management	
1. Head of Financial Department	1
2. Head of Secretariat Department	1
3. Head of Nursing Department	1
TOTAL	5

*Source : SPSS Output, 2017*



From the questionnaires returned by respondents, as many as 10 people at GMIM Pancaran Kasih Manado and Bethesda Tomohon hospitals, aka data obtained from the results of the respondents are tabulated into the table according to their classification. The results obtained are then tabulated with the help of Microsoft Excel with store level corresponding to the lykert scale.

### Discussion

From the data obtained can be seen how much relationship between variables with the results of hypothesis testing using correlation analysis method with SPSS software and manual calculation as follows:

**Table 5.** Hypothesis test using correlation :

Variables	Pearson Correlation
Quality Goal	.589
Quality feedback	.819
Quality Incentive	.555
Financial Performance	1

*Source : SPSS Output, 2017*

In table 5 testing hypothesis with correlation analysis method between quality goal with financial performance  $r = 0,589$ . The number has a correlation with stronger closeness. Testing the hypothesis between quality goal and financial performance shows a positive correlation, which occurs the same direction of relationship between variables. That is, the greater the variable quality goal then the greater the variable financial performance. Sig value shows  $> 0,05$  that is  $0,073$  then hypothesis test based on probability  $H_0$  acceptable and  $H_a$  rejected. This means that quality goals are not related to financial performance.

In table 5 hypothesis testing with method of correlation analysis between quality feedback with financial performance  $r = 0,819$ . The number has a correlation with very strong tightness. Hypothesis testing between quality feedback and financial performance shows a positive correlation, where there is the same direction of relationship between variables. That is, the greater the variable quality feedback then the greater the variable financial performance. Sig value shows  $< 0,05$  that is  $0,004$  then hypothesis test based on probability  $H_0$  rejected and  $H_a$  accepted. This means that quality feedback is related to financial performance.

In Table 5 hypothesis testing with correlation analysis method between quality incentive with financial performance  $r = 0,555$ . The number indicates the correlation has a strong closeness. Testing the hypothesis between quality incentive and financial



performance shows a positive correlation, which occurs the same direction of relationship between variables. That is, the greater the variable quality incentive then the greater the variable financial performance. Sig value shows  $> 0,05$  that is 0,096 then hypothesis test based on probability  $H_0$  acceptable and  $H_a$  rejected. This means quality incentive is not related to financial performance.

**Table 6.** Coefficient Correlation

<b>Variables</b>	<b>R</b>
<i>Quality goal</i>	0,589
<i>Quality feedback</i>	0,819
<i>Quality incentive</i>	0,555

*Source : SPSS Output, 2017*

Testing with correlation formula between Quality goal and financial performance get result 0,589. The number indicates the correlation has a strong closeness.

Tests with the formula of correlation between Quality feedback and financial performance obtained 0.819 results. The number shows the correlation has a very strong closeness.

Testing with correlation formula between quality incentive and financial performance obtained result 0,555. The number indicates the correlation has a strong closeness.

## CONCLUSIONS

1. Quality goal and financial performance has a strong closeness.
2. Quality feedback and financial performance has a very strong closeness.
3. Quality incentive and financial performance has a strong closeness.

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