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## **Owner Commitment Through Internal Control and Planning to Improve the Performance of Small Companies**

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### **Abstract**

Planning is the process of developing and maintaining a match between the goals and capabilities of the company with the opportunities that exist and are always changing. The top management of the company which is held by the owner of the tendency is authoritarian and generally has more power than the employees in the company. The purpose of this study is to find out whether the owner of the company has a good and tight planning and control process to improve the performance of the company. The research used in this study is the type of research that will be used in this study is to explain the interrelationships between variables through hypothesis testing. This research was conducted on manufacturing companies in East Java that are still in the small and medium category and the company's top management is the factory owner. The distribution of questionnaires was carried out as many as 167 questionnaires and obtained data that can be further processed as many as 110 with a rate of 65.86%. The results of this study by processing the analysis using PLS found that the increase in owner's commitment was not able to improve good planning processes for the company but able to improve good process control for the company. The results of the analysis also show that an increase in process planning for the company has an impact on improving sustainable process control for the company as well as an impact on improving performance so as to increase competitiveness for the company.

*Keywords: Planning, Process, Control, Company Performance, Owner Commitment*

### **1. Introduction**

Owners in small companies generally have a direct role as top management to commit to the time, cost and resources to support. What is important for top management in running a business is that they must always be able to develop and create a value for the company in order to improve organizational performance. Based on previous research that the commitment and leadership of top management with good leadership has an impact on planning and controlling processes to improve the organization's organizational performance.

While based on the results of the survey by interviewing and distributing questionnaires to 110 manufacturing industry practitioners in this study and testing hypotheses and producing a model that is fit, the analysis used in this study is to use Partial Least Square (PLS) with the assisted calculation process the Smart PLS software application program. The results of the study by testing found that there is a positive and insignificant influence of the commitment of the company's owner to the  
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effectiveness of planning in the company's processes, and the positive influence of the commitment of the company's owner to the process control in the company. Planning by certain departments has a positive and significant impact on process control in small companies in East Java. Planning has a positive impact on process control and jointly has a positive and significant impact on the performance of a company's organization. It was further explored that the owner of a company in East Java had a tendency not to focus on process planning but rather put more emphasis on process control at the company.

Business process is a process that requires resources in the form of energy, time, activities and others. Something to be achieved from the Business Process through detailed procedures to achieve performance goals that have been set, the objectives of implementing the Business Process are: a clear and easy-to-understand system of procedures, control between one part and another, the target of workmanship for each work activity and Job Description (clear duties and authority). Syaiful (2005) found in Paulus, et. al, (2005,208), Business Processes are activities that respond to business events or "work" carried out by a system to transform a number of inputs into outputs that add value to customers. This is in accordance with what was said by Hammer, et al., (1995) and Whitten (2001), where they define Business Process (reengineering) as a fundamental rethinking and radical redesign of Business Processes. Indrajit (2005) in Paulus, et. al, (2005,248), Business Process is defined as a series of product or service creation activities offered to companies.

Porter (1985), all Business Processes in a company can be categorized into two types, namely: (1) Main Business Processes or Core Business Processes, a number of Business Processes series that are directly related to product creation efforts or services offered to customers. (2) supporting processes (supporting processes), are a number of activities within the company that aim to help the implementation of the main Business Processes properly. Business Process is an activity to achieve a commercial outcome. Every Business Process has inputs, methods, and outputs. Input is a condition that must be put to work. When the method is applied to the input, the output will be created.

Business Process is a major part of how an organization achieves its goals. They represent a series of activities which when combined will produce something of value to both internal and external customers. The focus of Business Processes has led to changes in organizational techniques such as continuous improvement and Business Process re-engineering.

For organizations, Business Processes design has a great influence on the ability to compete in the operating environment and satisfy customer needs. Business Process can be part of a larger Business Process or can include other Business Processes in its method. In that context Business Process can be seen in various levels. There are 3 types of Business Process, namely: (Harrington et al., 1997).

1. Management processes, processes for carrying out operations and in accordance with requirements. Typical management processes include "Corporate Governance" and "Strategic Management"
2. Operational processes, the process of channeling customer value. This process is part of the core business. An example of an operational process is to distribute goods.
3. Supporting processes, this process supports other processes. Examples are accounting, recruitment, and IT support.

Business Process consists of subprocesses, decisions and activities. Subprocesses are part of a higher-level process that has goals, owners, inputs, and outputs. Activities are part of the Business Process that does not include decision making. Determination of business processes in small and medium manufacturing companies is determined directly by the owner of the company. Coordination of functions between departments is determined directly by the owner of the company. This is different from the business development proposed by Tiejun and Jin (2006) that product renewal with adaptation and creation, service and process for producing and sending to customers in small companies in China is determined by company management where the company owner is not in the management structure company. Management is responsible for carrying out scanning, carrying out

strategic objectives, determining customer facing strategies, determining relationships with suppliers, determining the use of technology for companies, building networks with outsiders for product and market development. However, it differs from companies in East Java, which are largely determined by the owner of the company up to the operational stage of the company.

## **2. Literature Review**

The support of top management in the company is generally controlled directly by the owner of the company which can be in the form of allocating the company's resources to implement the project that has been determined. The success of the process in the company requires strong leadership, commitment and participation of top management. Indicators to be measured on the commitment of the top management or the owner of the organization:

### **a. Strong Communication (Rodriguez, et al., 2008)**

Implementation of the process is the responsibility of all components in the company, although the implementation process will be left to each particular department in the company. Management must be able to clearly communicate the importance of each process for the company. Management support in the form of communication with each department will provide process planning and process control in accordance with management's expectations. This is made as an indicator because process planning, and process control is a process that requires a long time and management capability is needed to see the company's internal and external conditions that are communicated to each department.

### **b. Coordination (Rodriguez, et al., 2008).**

Coordination is an effort made by top management to carry out process planning and process control between departments in the company. Developing coordination can be done by conducting internal and external coordination, integrating data and information into the company's information system, and developing long-term partnerships.

### **c. Creative in Thinking (Rodriguez, et al., 2008).**

The success achieved by the company is strongly supported by the company's top management, where management always tries to be creative in thinking for the development of the company through the application of the best processes to improve effectiveness and efficiency. The thought process carried out by company management is always done well in the application of best practice.

### **d. Effective Leadership (Holland and Kumar, 1995; Zairi and Sinclair, 1995)**

Effective leadership in the company will result in good implementation in projects with time and funds and support for providing adequate workforce is the key to success in carrying out processes in the company on time. Effective leadership is assessed by the accuracy of the plan, implementation and control of each process.

## **3. Methods**

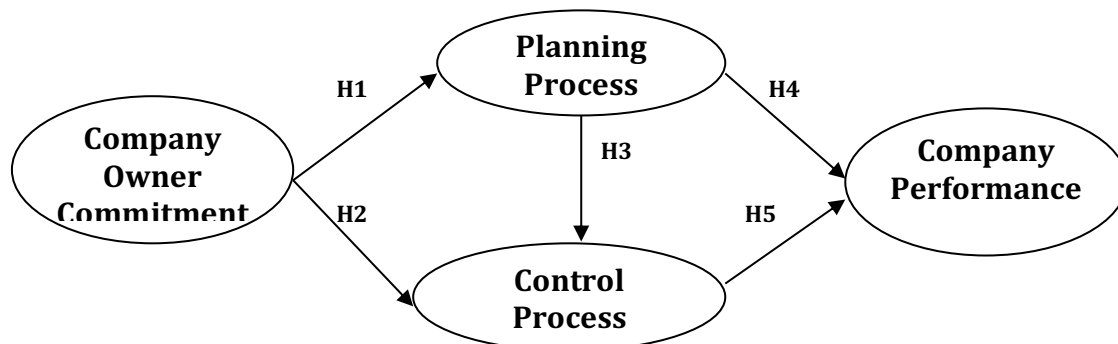
Planning is the process of developing and maintaining a match between the goals and capabilities of the company with the opportunities that exist and are always changing. This plan relies on developing a clear institutional mission, supporting goals and objectives, the right strategy, and the right implementation. The company's external conditions are related to the internal environment, the product market environment, the competitive environment, the public environment and the macro environment related to the analysis of threats and opportunities, while the internal planning is related to personnel, funds provided by the company, facilities related to company facilities and infrastructure and systems that have been going well in the company.

The planning undertaken by company management is related to long-term planning related to business forecasts including: evaluating the political, economic and technological situations and competitive factors that affect product demand; product and sales planning, among others: Planning relating to the products offered and the market to be fulfilled; production planning that is using forecasting from product and sales planning to compile aggregate production planning (overall), showing capacity constraints and planning equality in the number of production each period to anticipate varying levels of demand; Resource Requirements Planning, namely decisions related to the type of product, sales and level of output must be consistent with the availability of facilities, equipment and human resources; and financial planning ensures financial capability in implementing long-term planning.

Medium-term planning by the company related to the preparation of aggregate production levels and inventory levels by taking into account facility boundaries; capacity increase in this period is limited to the addition of labor or shifts, overtime, subcontracting or additional machines available in the short term and generally has a period of about 1-2 months ahead for the beginning of the period and 12-18 for the end of the period; fulfillment of raw material or finished goods needs from intermediary warehouses by calculating time; number of requests in a certain time period; planning the types of products and their quantities to be produced at a certain time and commitments to meet the market and use existing production capacity. Finally, short-term planning is associated with planning and controlling due date priorities and capacity day by day; configuration of the number of final products to be assembled along with the schedule; controlling input / output, order, production performance reports and determining correct corrective actions and planning and controlling the priority of raw materials to be purchased.

Process control indicators carried out by the company are related to measurement, that is, the company controls productivity, the company controls quality, the company controls capacity, the company controls delivery accuracy, and finally the company controls production costs. Indicators used in the measurement of production planning related to always providing a clear work process plan in each department about the work to be done, the company provides a clear schedule for each department related to product demand by consumers, the company provides a time target plan to employees in completing work, the company plans to provide adequate facilities and infrastructure to employees in completing work.

The top management of the company which is held by the owner of the tendency is authoritarian and generally has more power than the employees in the company. Top management has the function of planning for the company for the long term and medium term but for the short term tends to be left to the head department or manager. In knowing that the planning that has been carried out has been effective in the implementation process, it is necessary to control the processes that are regulated daily by middle level management. Planning and controlling the production process is needed by the company to improve its competitiveness through company performance. Based on the explanation above, the conceptual framework can be described as follows:



Based on the conceptual framework above, we obtain several relationships or influences between one research variable with another research variable:

H1: Increased "commitment of the company owner" will be able to improve the planning process within the company.

H2: Increased "commitment of the company owner" will be able to improve process control and impact the company.

H3: Process Planning by the company owner directly impacts the process control for the company.

H4: The planning process by the company owner directly impacts the company's performance.

H5: Control of the Process by the company owner directly impacts the company's performance.

#### **4. Results and Discussion**

This type of research that will be used in this study is to explain the interrelationships between variables through hypothesis testing (Singarimbun, 1995). This research was conducted on manufacturing companies in East Java that are still in the small and medium category and the company's top management is the factory owner. Data collection is distributed to several factory owners with the sampling technique used is convenience sampling (Cooper, 2009), ie sampling is done by distributing questionnaires to companies that are easily found and want to fill out the questionnaire.

Data for this study were obtained by means of a questionnaire namely data collection techniques using questions submitted to the owner of the company in order to obtain information that bases reports about themselves or on the personal knowledge and or beliefs of the subjects or informants under study. This questionnaire is intended to obtain descriptive data to test the hypotheses and study models. To obtain the data, a closed questionnaire was used, namely questions made in such a way that respondents were limited in giving answers to only a few alternatives or to just one answer. Data is collected then a validity and reliability test is needed in research. To have a reliable research instrument, the ability must be tested for validity and reliability of the measuring instrument, in order to obtain representative data in this study.

The questionnaire was distributed as many as 167 questionnaires and obtained data that can be processed further as many as 110 with a rate of 65.86%. This shows that the data has been good and can be further processed. To test the hypothesis and produce a fit model, the analysis used in this study is to use Partial Least Square (PLS) with the calculation process assisted by the PLS java web start application program. The reason for using this model is because there is a tiered relationship structure between variables and there are relationships that affect the analyzed variables that are unobservable.

PLS does not assume a certain distribution for parameter estimation so parametric techniques to test the significance of parameters are not needed. Measurement models or outer models with reflexive indicators are evaluated with convergent and discriminant validity of the indicator and composite reliability for the indicator block. Whereas the outer model with formative indicators is evaluated based on its substantive content by comparing the relative weight and seeing the significance of the weight size (Solimun, 2007). As for the correlation between the reflexive indicator scores and the latent variable scores. Individual indicators are considered reliable if they have a correlation value or loading above 0.5 (in Table 1).

Based on the results in Table 1. it is found that there are no indicators that have values below  $<0.5$ ; this provides an illustration that all indicators have met the requirements for testing the validity of the variable.

**Tabel 1. Result for Outer Loading**

<b>Indicator</b>	<b>Original Sample Estimate</b>	<b>Mean of Subsamples</b>	<b>Standard Deviation</b>	<b>T-Statistic</b>
<b>Owner</b>				
X11	0.796	0.782	0.497	2.999
X12	0.645	0.623	0.440	2.466
X13	0.554	0.603	0.468	1.984
X14	0.615	0.736	0.433	2.127
<b>Plan Pros</b>				
X21	0.689	0.701	0.135	5.103
X22	0.633	0.623	0.139	4.559
X23	0.543	0.471	0.208	2.605
X24	0.709	0.673	0.126	5.642
X25	0.599	0.584	0.169	3.550
<b>Con. Pros</b>				
X31	0.735	0.736	0.077	9.502
X32	0.532	0.561	0.120	4.444
X33	0.646	0.649	0.100	6.477
X34	0.781	0.776	0.067	11.695
X35	0.705	0.703	0.089	7.904
<b>Performance</b>				
X41	0.776	0.772	0.079	9.834
X42	0.799	0.796	0.052	15.401
X43	0.554	0.437	0.164	2.760
X44	0.801	0.787	0.056	14.304
X45	0.765	0.761	0.063	12.167
<b>Comm.</b>				
X31	0.777	0.785	0.080	9.673
X32	0.788	0.798	0.068	11.577
X33	0.627	0.588	0.136	4.619
X34	0.696	0.696	0.110	6.355

Data processing results obtained from the results for inner weight obtained as follows:

**Tabel 2. Result for Inner Weight**

<b>Relation</b>	<b>Original Sample Estimate</b>	<b>Mean of Subsamples</b>	<b>Standard Deviation</b>	<b>T-Statistic</b>
<b>Owner&gt; Plan Pros</b>	-0.162	-0.04	0.307	0.821
<b>Owner&gt; Con. Pros</b>	0.538	0.609	0.09	6.419
<b>Plan Pros -&gt; Con. Pros</b>	0.281	0.276	0.103	2.492

<b>Plan Pros -&gt; Performance</b>	0.499	0.497	0.102	4.869
<b>Con. Pros -&gt; Performance</b>	0.615	0.628	0.125	4.392

Based on the results of Table 2 above can be summarized into Table 3 as follows:

**Table 3. Summarized**

First Variable	Second Variable	Results
Owner Commitment	Planning Process	-
	Control Process	++
Planning Process	Control Process	+
	Organizational Performance	++
Control Process	Organizational Performance	+

Note: ++ Significant at 0.01

## 5. Conclusion

Based on the results of the five hypotheses above, it can be concluded as follows, increasing the commitment of the owner was not able to improve good planning processes for the company. Increased owner's commitment was able to improve good process control for the company. Improved process planning for companies has an impact on improving the process control that is sustainable for the company. Improved process planning for companies has an impact on improving performance so as to provide increased competitiveness for the company. Improved process control for the company has an impact on improving performance so as to provide increased competitiveness for the company.

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