

Implementation of Work Ethic of Appraiser through KEPI in Effort to Build Capability and Performance of Appraiser in Medan

Elisabet Siahaan¹, Khaira Amalia Fachrudin¹ and Beby Kendida Hasibuan²

¹ Magister Management Property and Valuation, Postgraduate Program, Universitas Sumatera Utara, Medan, Indonesia

² Faculty of Economics and Business, Universitas Sumatera Utara, Medan, Indonesia

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Abstract: Indonesian Appraisers Code of Ethics (KEPI) has been updated and socialized to all appraisers in Indonesia. KEPI contains guidelines for behaving ethically in performing duties as a professional and responsible appraiser. A good performance of appraiser is necessary in encouraging the implementation of business in industry 4.0 so much effort is needed in improving the performance of the appraiser in general. This study included 110 certified appraisers from the Indonesian Society of Appraisers (MAPPI). The research model was evaluated using descriptive statistics and path analysis. The results of this study showed that the work ethic summarized in KEPI has a positive and significant role in generating the capability of the appraiser as well as encouraging the performance in Medan. This research suggested to the appraisers that during carrying out the appraisal process, they are guided by KEPI in order to resulting in a higher quality performance appraisal.

1 INTRODUCTION

1.1 Research Background

The development of the 4th generation industrial revolution (Industry 4.0) increasingly demands organizations to operate effectively and efficiently. High performance is always required to produce competitive advantages and benefits the users of the organization. Achievement of performance is directly related to the achievement of organizational goals. Vosloban (2012) states that continuously achieving the highest levels of performance for the organization becomes a major challenge in the ever-evolving business environment as well as higher market standards.

In industry 4.0, the company is not only required to be able to produce goods or services that can meet the needs of the market, but also workforce with high performance by applying the use of technology and communication optimally. Competitive advantages for the company will be higher along with the increase in employee performance realization compared with company expectations on the employee. Gruman and Saks (2011) states that performance management is a very important aspect in achieving company efficiency. Now, effort to

improve employee performance become one part of the main objectives of the company in an effort to improve the competitiveness of the company (Rusu, et al., 2016). The Company seeks to create individual performance improvements in an effort to drive the company's performance in general (Hartog et al., 2004).

Previous research has confirmed that organizational performance is related to the behavior of individuals within the organization (Boxall and Macky, 2007; Yasir et al., 2013). Nevertheless, the focus on individual behavior of human resources in the organization has not been described specifically (Purcell et al., 2009). One thing that is capable of forming individual behavior in the organization is professional ethics. Professional ethics are the set of rules perceived as the right thing to apply in work and it shapes the values and behavior of individuals in work (Omisore, 2015). In the revolution of industry 4.0, professional ethics will assist in establishing a firm organizational framework that unifies behavior and shapes the expected performance outcomes.

This research raises the issue of work ethic or professional ethics in the appraisal environment in Medan. Appraisers are professions that play an important role in supporting the implementation of industry 4.0. Evaluation of business feasibility, property values, and business development prospects

are issues that require a competent appraiser. The results of the work of a good appraisal agency will greatly assist the smooth operation of various sectors in the 4.0 industry. Nizam et al. (2016) reflects the work ethic as a standard to declare an acceptable or unacceptable in the execution of work. This will encourage the standardization of behavior expected for an appraiser to achieve better performance.

This study focuses on discussing two things; that are:

1. The role of ethics to build capability and performance of appraisers in Medan;
2. Measuring mapping of application of appraiser professional ethics summarized in KEPI that has been implemented by appraisers in Medan

1.2 The Importance of Performance Appraisal in Industry 4.0

Appraiser is one of the professions that provides sub-sector services and plays an important role in determining the economic value of the actual wealth and the potential of wealth owned (Prima, 2007). Appraisal concept that has been widely known by the public, especially in Medan related to the profession of the appraiser, that is the person who plays a role in measuring the worthy value of an object. The concept of appraisal is still widely growing in Indonesian society. Public Appraisal Services (KJPP) is an external body that is independent in providing an appraisal of a property or assets of a client using its services. The Appraisal Institute (2011) states that estimating values is a complex process involving various appraisal standards. Siahaan et al. (2018) identifies that the value of the property is influenced by economic factors and location.

The presence of appraiser in the nation's economic development is very helpful in estimating the value and feasibility of business, especially in the face of industry 4.0. In a financial institution, valuation activities can assist in accurately assessing the object of collateral goods, valuation of assets for debt guarantee, for the purpose of buying and selling, collateral, insurance interests, evaluation of compensation, financial statements and so forth. Due to the many objectives of the appraisal in life, the appraiser plays an important role in Indonesia's development in the future (Resmi, 2003). The scope of appraisers in Indonesia includes government agencies, appraisal services associations, and appraiser companies in the form of Limited Liability Company. A government agency conducting a state asset valuation activity is the Directorate of State Assets Appraisal within the Directorate General of State Assets Management.

The scope of the appraiser and the role of the appraiser in various economic sectors are very high. The research proposed in this proposal relates to how efforts are made to improve individual performance from an appraiser with an effort to improve individual capability in performing appraisal tasks based on Indonesian Valuation Standards (SPI) through the implementation of KEPI.

2 LITERATURE REVIEW

2.1 Performance of Appraiser

Armstrong (2006) states that good performance is not only seen from the good final results but also from the work process by seeing how people achieve it. Colquitt et al. (2009) states that performance is the contribution of employees to the organization. Measuring employee performance according to Dharma (2013) means considering the quality and quantity aspects of work.

2.2 Capabilities

Robbins and Judge (2013) define capability as the capacity of individuals to perform various tasks in a job. Everyone has strengths and weaknesses in the ability that make them relatively superior or inferior to other individuals in performing certain tasks or activities. Management must know how people differ in capabilities and use knowledge to increase the likelihood that a worker will do a good job. Amir (2011) explains that the capability is the ability to exploit both the resources possessed within himself and within the organization, as well as the potential of self to perform certain activities or a series of activities.

Krietner and Kinicki (2005) identifies that a person's capabilities play a major role in driving performance. Krietner and Kinicki also shares that in essence capability is divided into two categories, namely, physical capability and cognitive capability. Respatiningsih and Sudirjo (2015) show that one's capabilities play a dominant role in encouraging individual performance along with commitment, motivation, and job satisfaction.

Self-capability is one of assets that professionals must have in completing their work. The appraiser in practice requires two forms of such capability. Jobs will be more likely to be solved with physical health support, especially when it comes to assessing the field. Nonetheless the aspect of cognitive capabilities also plays an important role, particularly in understanding the Indonesian Appraisers Code of Ethics (KEPI) and Indonesian Valuation Standards

(SPI). Therefore, this study focuses the self-capability on cognition and attitude, i.e., understanding of KEPI, such as mastering the nature of appraisers and general principles in the appraisal; Mastering Market Value as a Basis of Appraisal; Value Control Other than Market Value; acting in accordance with applicable rules, as well as objectives.

2.3 Professional Ethics of Appraiser

The professional ethics of the appraiser are regulated in the form of the Indonesian Appraisers Code of Ethics (KEPI). The code is set by law and promoted by the Directorate of Appraisal, Ministry of Finance of Republic of Indonesia (2016) as well as associations of MAPPI in the books of KEPI and SPI Edition VI 2015. KEPI is structured as a fundamental foundation in the implementation of SPI so that the results of the work meet the main requirements of Honest, Competent, and Professional. KEPI is basically mandatory and binding on all appraisers in Indonesia and also sets the appraisers to have ethics and competence in performing their duties. There are five basic components of KEPI that must be applied by appraisers in Indonesia.

2.3.1 Integrity

Requiring the Appraiser to be honest and credible in all professional and business relationships. Should not carry out an appraisal containing false or misleading statements or information or omitting or obscuring important information that must be included due to negligence or ambiguity that can be misleading. If he is aware of any incorrect information, he must immediately take action related to the information. Not allowed to participate or take role in an appraisal service which is not justified. Compulsory to act according to law and in accordance with applicable laws and regulations. It is not permissible to deliberately misinterpret a professional qualification that he does not have.

2.3.2 Objectivity

Requiring the Appraiser to work professionally, impartially, has no interest or is influenced by others. In the event of a threat to objectivity which is unavoidable, professional Appraisers shall refuse the assignment. In reappraisal of the same asset, a review of another Appraiser must be reviewed or periodically replacing the Appraiser for the assignment. The Appraiser shall not act for two or more parties to the same assignment and purpose, except with the written consent of the parties concerned. Must not accept an assignment which appraisal report includes predetermined opinions and conclusions. The

remuneration shall not be subject to the outcome of any pre-determined judgment. It is not permissible to provide conclusions that are not supported by sufficient and prejudicial reasons, or reporting conclusions that reflect an opinion that such presumptions may affect value. In the case of a Review of the appraisal report of other appraisers, he must be impartial and consider his reasons for agreeing or disagreeing with the report's conclusions. It is not permissible to base his work on information provided by the assignor only without proper clarification or confirmation.

2.3.3 Competence

Appraisers are required to maintain professional knowledge and skills at the required level. Professional competence is divided into the achievement and maintenance of professional competence. Maintenance of professional competence requires awareness and technical understanding, professional development and sustainable business. Perseverance includes the responsibility to act in accordance with the scope of the assignment, be careful, thorough and timely. Appraisers ensure that their work is under the authority of the Appraiser in a professional capacity with proper training and supervision. If the Appraiser does not have the necessary professional knowledge and experience, the Appraiser must reject the duty.

2.3.4 Confidentiality

Disclosure outside the company or use of confidential information obtained from the appraisal services without the assignor's approval is prohibited. Appraiser must maintain confidentiality, including in the social environment. The Appraiser shall maintain the confidentiality of the information disclosed by the Assignor. Appraiser must maintain the confidentiality of information within the company or work team. The Appraiser must ensure that the staff helps to maintain confidentiality. It takes to adhere to the principle of continuing confidentiality even after the expiration of the employment relationship with the client.

2.3.5 Professionalism Behavior

Appraiser must act carefully in providing services and ensure that the services provided are in conformity with legal, technical and professional standards applicable to the subject of appraisal, appraisal objectives or both. Professional behavior involves accepting responsibility for acting in the public interest not only of the Assignor's interests. Appraisers must be honest and correct and do not create excessive promotions for the services they

offer and are prohibited from making incorrect references. Professional behavior includes responsible and polite actions in all respects with the assignor and the public in general and responds promptly and effectively to all reasonable instructions or complaints. Appraiser should avoid actions that may discredit the profession.

3 RESEARCH METHOD

3.1 Research Time

The study was conducted in the area of Medan appraisers in March to June 2018.

3.2 Participant

The study involved 110 appraisers in Medan who were registered as members of the Indonesian Society of Appraisers (MAPPI) and had worked as appraisers for at least one year with a minimum membership of P (Participant) at the MAPPI association . Research carried out by visiting the office of MAPPI in North Sumatra and Public Appraiser Services (KJPP) in Medan.

3.3 Data Collection Procedures

The data were collected by using research questionnaires compiled based on literature study related to research variables. The research questionnaire had passed the stage of validity and reliability of the questionnaire before it was given to the research sample . Researchers visited the offices of MAPPI in Medan as a reference database of the study sample, selected the sample, then visited KJPP in Medan to spread out the questionnaire and collect research data. The grace period for returning the questionnaire was a week for further resampling by the researcher on the research sample in his working environment.

3.4 Validity and Reliability of Questionnaire

Validity and reliability of the questionnaire were conducted on 30 appraisers in Medan outside of the study sample. Those who had followed the study as a sample in the validity and reliability test were no longer selected as samples in the study.

Table 1. Cronbach's Alpha Research Questionnaire

Variables	Number of Statements	Cronbach's Alpha	Conclusion
Professional Ethics	15	0.878	Reliable
Capability of Appraiser	10	0.891	Reliable
Performance of Appraiser	10	0.914	Reliable

The questionnaire validity test was done by using Pearson's correlation from each item statement to the total of each variable. The critical point (r-table) used for 30 samples was 0.361. All of the proposed statements met the criteria of the validity of the research questionnaire. Table 1 encapsulates the reliability test of the questionnaire by using the consistency of Cronbach's alpha. Each variable had been consistently measured by the proposed statement with an alpha value > 0.7. Therefore all the questions posed on the validity and reliability test were valid and reliable.

3.5 Data Processing and Analysis Method

Data were analyzed using path analysis method that estimated the role of the application of the Indonesian appraiser professional ethics in shaping the capabilities of appraiser and producing the expected performance of the appraiser. The path model used in the study refers to Figure 1. Hypothesis testing was performed using 5% significance level. The analysis was performed using direct, indirect, and total effects in the estimates.

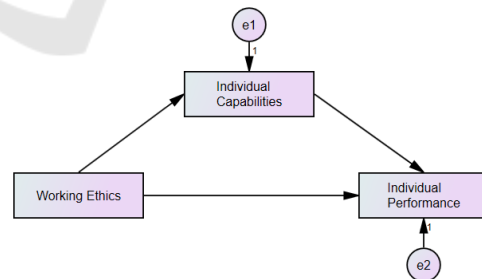


Figure 1. Research Model

4 FINDINGS

4.1 The Current Practice of Work Ethic

Descriptive statistical analysis was used to evaluate the current situation of the professional ethics variable. Each aspect (dimensions) are measured using three indicators with five scales, so the minimum value is always worth 3 and the maximum is 15. The current state of the professional ethical practice in the Medan appraiser is summarized in Table 2.

Table 2. Descriptive Statistics of Appraiser Professional Ethics in Medan

Aspect	N	Min	Max	Mean
Integrity	110	3	15	13.63
Objectivity	110	3	15	13.27
Competency	110	3	15	11.99
Confidentiality	110	3	15	12.42
Professionalism	110	3	15	13.22

Table 2 indicates that in general all aspects of professional ethics had been applied well by appraisers in Medan, especially in integrity aspect, then the principles of objectivity and professionalism were always upheld. An average score above 12.00 indicated an excellent ethical achievement. The smallest aspect that was reflected by the respondent's answer was the problem of competency control in working as an appraiser.

4.2 Path Analysis

This study uses path analysis to evaluate the role of the code of ethics of appraisal in an effort to improve the ability of the appraiser and the performance of the appraiser. Path analysis in this research is assisted by using AMOS analysis tool.

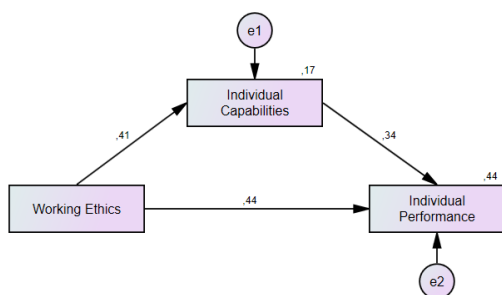


Figure 2. AMOS Path Analysis

Table 3. Path Estimate Analysis

Independent		Dependent	Mediating Role	Path Analysis		
				Direct	Indirect	Total Effect
Work Ethic	-->	Capability ^a		0.411*	-	0.411
Work Ethic	-->	Performance ^b	Capability	0.441*	0.155*	0.596
Capability	-->	Performance		0.233*	-	0.233

* Significant at 5%;

^aAdjusted R-squared = 0.169;

^bAdjusted R-squared = 0.436

The model in the research was able to predict each of 16.9% and 43.6% variance on dependent variables, capability and individual performance from appraiser in Medan. This indicated that the research model was good enough in predicting the performance of appraisers based on professional ethics and capability of appraiser with predictive numbers up to 43.6% performance. Professional ethics were only able to explain 16.9% ability of appraiser in Medan.

Work ethic significantly affected the capability and performance of appraisers in Medan. If the appraiser applied the work ethic in the appraisal process, the capabilities and performance of the appraiser would increase. The performance of the appraiser was influenced by ethics and capabilities together. Work ethic was more instrumental in influencing the performance of Indonesian appraisers. Indirectly, ethics will form capabilities which encourage the creation of individual performance.

5 DISCUSSION

Work ethic had positive and significant influence to individual capability of appraiser in Medan. This indicated that the stronger the work ethic was applied by the appraiser, the higher the level of individual capability that reflected the ability to complete the appraisal report properly and appropriately because the work behavior was in accordance with the appraiser professional ethics which were the guide in acting and behaving. The willingness of the appraiser in applying the basic principles of ethics that includes integrity, objectivity, competence, maintaining confidentiality, and professional behavior in working will result in responsible work behaviors, more skilful in the appraisal, more detail in understanding the techniques of completing the work based on the basic ethical principles of appraisal. Okpara and Wynn (2008) affirms how the code of ethics in the company will shape the behavior that the company expects in each employee. Omisore (2015) also states that a set of rules or ethics in running the work will be a

guideline for workers in acting about what is right and what needs to be avoided in doing the work. As a result, work ethic will shape the behavior. The problem is how individuals are willing to implement the work ethic in accordance with the applicable rules. The results of this study confirm that if an appraiser is willing to apply work ethic in completing the appraisal task, then the self-capability of the appraiser will increase. The results of this study are supported by Arend (2013) which states that the ability to implement the code of ethics in completing the work will affect the ability to finish the work.

Work ethic has a positive and significant influence on the performance of appraisers, either directly or indirectly through the formation of the capability of the appraiser. Sharma et al. (2009) shows how the influence of work ethic in the company to encourage performance in general. Ethical behavior of the company will encourage image formation, reduce hazard and improve efficiency so that company performance can increase. In line with this, the implementation of work ethic in an individual environment will help the achievement of individual performance. Professional ethics are essentially structured to aid the smooth running of one's work. Thus, the implementation of professional ethics will assist in encouraging the performance by ensuring the work is complete both in quality and quantity. In addition, professional ethics will produce capability that encourages higher performance achievement.

Self-capability has a positive and significant effect on the performance of appraisers. Tan et al. (2007) provides the role of operating business capability in producing the company's performance. Capability reflects the ability to perform tasks as they should. In this study, capability is reflected by the application of the Indonesian Valuation Standards in the form of work behavior. As this capability improves, appraisers will progressively work as required that will lead to higher performance achievements.

In general, the work ethic represented in KEPI has been well implemented by appraisers in Medan. In line with these conditions, appraisers in Medan already have behaviors that are in line with the Indonesian Valuation Standards (SPI) and produce good performance. So far, there are very few problems that have been caused by mistakes in Indonesia. This condition encourages the results of research where the application of work ethic will encourage the capability and performance of appraisers in Medan. Nevertheless, the application of work ethic can still be improved, especially through improving self-competence in the work ethic referred to by KEPI.

6 CONCLUSION

In general all aspects of professional ethics had been applied well by appraisers in Medan, especially in integrity aspect, the principles of objectivity and professionalism were always upheld. Behaviors of appraisers which implement code of ethics during the appraisal process are significantly able to improve self-capability and performance of the appraiser. Implementing the code of ethics during the appraisal process will result in qualified performance and personally accountable to the appraiser, assignor, fellow appraisers, Public Appraiser Services (KJPP), and the public. Indonesian Appraisers Code of Ethics (KEPI) is structured according to the rules necessary to control the behavior of the appraiser in order to act ethically, effectively and efficiently. In the end, an objective and appropriate appraisal report will be resulted.

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