Management Commitment and Competencies of Asset Administrators on Asset Management: A study in Government Units of South Sumatera Province

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Abstract: This study aims to analyze the influence of asset administrator competencies and management commitment on asset management. The research was conducted on 50 Government Units in 4 city governments of South Sumatera Province in 2017. The research data is primary data collected through a questionnaire. The analytical tool is Partial Least Square (PLS); the determination of the sample is the head asset administrator at each of the Government Units. The results of this research show that; (1) Management commitment has a positive effect on asset management at Government Units in the city governments of South Sumatera Province, (2) Competencies of asset administrators have positive effects on asset management at Government Units in the city governments of South Sumatera Province. The implications of this study are expected to contribute to help the heads of Government Units in South Sumatera Province to improve the performance of asset management by performing a skilled asset administrator and management commitment with the best of the assets.

1 INTRODUCTION

There are still many Local Government Financial Reports (LCFR) which produce unqualified audit opinions. There are only 252 (46.75%) of 539 LCFR in 2016 (BPK, 2016). Asset still has the highest percentage (30%) of the problems in the accounts on the balance sheet that were presented not in accordance with government accounting standards in 2015 (BPK, 2016). Many audit findings were found which involved inequality in the management of regional property and inadequate administration of regional property.

Local governments must handle and utilize public assets efficiently and effectively to optimize the sources of regional revenues, including the optimization and utilization of existing assets, as referred to in law number 23 of 2014 concerning regional governance. Public asset management must be managed in order to cause these assets to be developed as initial capital for local government to strengthen their financial capabilities. To achieve optimal benefits from an asset, good management of the asset’s lifecycle is needed. Asset management is a way of managing, planning, designing, and monitoring the process of updating, acquiring, maintaining, and disposal of all forms of technical assets and infrastructure to support procurement of public services. Management assets are a structured and systematic process which cover the entire life of a physical asset (AAMCoG, 2012).

The Indonesian Government has issued the Regulation of Minister of Home Affairs Number 19 of 2016 concerning Technical Management of Regional Assets which is used as a reference in managing the assets. Local Governments should be able to manage assets well, starting from needs planning, budgeting, procurement, use, utilization,
administration, maintenance and security to their supervision so that regional assets can provide benefits and optimal contribution to the relevant regional government.

Mardiasmo (2004) states that the strategic objectives which must be achieved in the management of assets include: (1) the creation of an administrative order regarding regional wealth, (2) the creation of efficiency and effectiveness in the use of regional/local assets; (3) the safeguarding of regional assets; (4) availability of accurate data/information regarding the amount of regional wealth. The Department of Communities and Local Government (2007) states that effective asset management directly links with the efficiency strategy and national improvement. It means that better asset management improves better public services and value for money.

These statements are in line with the research conducted by (Bond, S & Dent, 1998) the importance of efficient asset management for financial reporting and asset management will enhance the role in meeting community services efficiently, which is reflected in the assessment and reporting. Related studies which support the importance of asset management are (Pekei & Hadiwidjojo, 2014); (Shepherd, 2013); (Krisindarto, 2012); (White, 2012); (Jolicoeur & Barrett, 2005).

Performance within the organization is carried out by all human resources within the organization, by both leaders and employees. This is in line with the research by (Cooper, 2006) who defined that management commitment is to maintain and engage in behaviours to help others achieve a goal. (Simamora & Halim, 2013) stated that management commitment is more critical in affecting asset management. Top management must focus on its employees with empowerment, involvement, training, and appreciation to provide the best service to beneficiaries. Employees will be given more resources for training to improve asset management skills when management is committed to improve asset management. Chin et al. (2003) found that top management commitment is the most important factor for the successful implementation of ISO 9000. In line with this research, (Pheng & Teo, 2004) argued that top management commitment is one of the elements reflecting TQM performance measures. The commitment of top management shown by the level of visibility and support in implementing a total quality environment is very important for the success of TQM implementation. (Haupt & Whiteman, 2004); (Taylor & Wright, 2003); (Moorman, Niehoff, & Organ, 1993) argued that commitment management has the potential to influence organizational performance.

(Pate, Martin, & Robertson, 2003) stated that competence provides a useful development framework for those employees participating in a program. He argued that competence can be seen from two aspects. The first, competence, is a set of specific attributes used in carrying out a job related to the characteristics of high-performing employees which can be learned through education, experience or vocational training. This competence deals with the behavior of particular individuals and how they act in an organizational environment. The second, competency, consists of a person’s experience and personality combined with job related factors that stem from formal and informal organization. It focuses on the interaction between the individual and the job.

Yusuf (2013) suggested that knowledge about asset management is needed for administrators in utilizing assets to make asset management decisions which benefit government operations. The importance of an employee’s competence in an organization is being able to support the improvement of employee performance and contribute to determining the future of the organization (Wahyudi, 2014). In line with this, (Qiao & Wang, 2009) suggested the critical competencies for the success of middle managers in China are team-building, communication, coordination, execution and continual learning. Some researchers have claimed that employees’ competencies provide an effective method for predicting job performance (McClelland, 1973); (Levenson, Van der Stede, & Cohen, 2006); (Darno, 2012).

Administrators of assets at the Regional Government Organization are employees who work in government agencies in Law Number 5 of 2014. This concerns the State Civil Apparatus referred to as the State Civil Apparatus that acts as a planner, implementer, and supervisor of the implementation of the general tasks of national governance and development through the implementation of policies and professional public services, free from political intervention, and free from corruption, collusion and nepotism.

In order to produce even high-quality asset management, there is a need for reliable management personnel. The audit board of the Republic of Indonesia (BPK RI, 2016) found that the problems in asset management occur partly because the responsible officials/implmenters are negligent and not optimal in carrying out their duties and
responsibilities according to their respective duties and responsibilities, have not fully understood the applicable provisions, and are weak in supervising and controlling activities. Based on the background above, it is interesting to test the influence of management commitment and competencies of asset administrators on asset management in Government Units of South Sumatra Province.

2 METHOD

This research is quantitative research and was conducted at 50 Government Units in the city governments of South Sumatra Province which consist of 4 city Governments, they are Palembang, Pagar Alam, Prabumulih and Lubuk Linggau. The population used in the study is the official administration of local assets that have the authority and play an active role in the management of assets at Government Units in the city government of South Sumatra Province. The sampling technique to find the Government Units used in this research is random sampling.

By using Stewardship Theory (Donaldson & Davis, 1991), Asset Management as dependent variable in this study is a way of managing, planning, designing, and monitor the process of acquiring, maintaining, updating, and disposal of all forms of infrastructure and technical assets; to support procurement of public services (AAMCoG, 2012). In this study, the writers evaluate the performance of asset management’s procedure in accordance with the Government’s Regulations.

The independent variables are management commitment and competencies of asset administrators. Management commitment in this study carries a strong belief and support from management to carry out and implement asset management policies in accordance with established regulations so that the objective of implementing these policies can be achieved for the benefit of the organization (Cooper, 2006); (Tan, C. and Hamzah, 2008); (Caroline, Harriet, & Anne, 2016). We used the dimensions studied by (Tan, C. and Hamzah, 2008) which are quality goals, priority, efforts, involvement, resource allocation and attitude to change. The competencies of asset administrators are the technical ability in asset management through the dimension of knowledge, skill and work attitude. (Boyatzis, 2008); (Qiao & Wang, 2009); (Yusuf, 2013). The Conceptual Research framework image is seen in figure 1.

The required research data are primary data collected through questionnaires by providing a written set of questions. The analytical tool used is Partial Least Square with the aim to determine the effect of the relationship between latent variables. In this study the writers want to know the influence of Management Commitment and the competencies of asset administrators on asset management in Government Units of South Sumatra Province.

3 RESULT AND DISCUSSION

The full model of SEM equation using the Smart PLS 3.0 program is obtained by two models, namely the standardized model (PLS Algorithm) and the t-values model (Bootstrapping), each model is shown in the following figure.

There are two steps in the measurement model. They are the convergence validity and discriminant validity. factor loading, and average variance extracted (AVE) which were computed to get convergence validity. Based on Figure 2 the range of loading factor (0.629 to 0.949) is more than 0.6 (≥ 0.6). All latent constructs demonstrate adequate convergence validity.
Figure 2: Algorithm Model

Figure 3: Bootstrapping Model shows that the value of t-statistic for the correlation among indicators are considered valid where t-statistic > t-table (1.96). All latent constructs demonstrate adequate convergence validity.

Table 1: Convergence Validity

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Loading</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.1</td>
<td>0.631</td>
<td>0.866</td>
<td>0.522</td>
</tr>
<tr>
<td>X1.2</td>
<td>0.686</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.3</td>
<td>0.629</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.4</td>
<td>0.830</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.5</td>
<td>0.709</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1.6</td>
<td>0.825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2.1</td>
<td>0.890</td>
<td>0.939</td>
<td>0.838</td>
</tr>
<tr>
<td>X2.2</td>
<td>0.949</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2.3</td>
<td>0.905</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y1</td>
<td>0.926</td>
<td>0.904</td>
<td>0.759</td>
</tr>
<tr>
<td>Y2</td>
<td>0.902</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y3</td>
<td>0.779</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Discriminant validity is used to prove that latent constructs predict the size of the construct is better than the size of the other constructs. Discriminant validity was tested by analyzing the cross-loading value for each variable in which the construct being measured is greater than the other constructs. Discriminant validity can be seen through the value of cross-loading, as seen in Table 2. Table 2 shows that the indicator of each variable has resulted in discriminant validity. This can be seen from the value of the management commitment (MC) competencies of asset administrator (CA) and asset management (AM) that have cross-load values greater than other cross loading values, it means that all variables have met the discriminant validity.

Table 2: Convergence Validity

<table>
<thead>
<tr>
<th>Indicator</th>
<th>MC</th>
<th>CA</th>
<th>AM</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.1</td>
<td>0.631</td>
<td>0.355</td>
<td>0.420</td>
</tr>
<tr>
<td>X1.2</td>
<td>0.686</td>
<td>0.349</td>
<td>0.409</td>
</tr>
<tr>
<td>X1.3</td>
<td>0.629</td>
<td>0.369</td>
<td>0.464</td>
</tr>
<tr>
<td>X1.4</td>
<td>0.830</td>
<td>0.364</td>
<td>0.525</td>
</tr>
<tr>
<td>X1.5</td>
<td>0.709</td>
<td>0.244</td>
<td>0.405</td>
</tr>
<tr>
<td>X1.6</td>
<td>0.825</td>
<td>0.371</td>
<td>0.536</td>
</tr>
<tr>
<td>X2.1</td>
<td>0.481</td>
<td>0.890</td>
<td>0.446</td>
</tr>
<tr>
<td>X2.2</td>
<td>0.446</td>
<td>0.949</td>
<td>0.503</td>
</tr>
<tr>
<td>X2.3</td>
<td>0.378</td>
<td>0.905</td>
<td>0.437</td>
</tr>
<tr>
<td>Y1</td>
<td>0.617</td>
<td>0.488</td>
<td>0.926</td>
</tr>
<tr>
<td>Y2</td>
<td>0.611</td>
<td>0.487</td>
<td>0.902</td>
</tr>
<tr>
<td>Y3</td>
<td>0.421</td>
<td>0.321</td>
<td>0.772</td>
</tr>
</tbody>
</table>

The following is the results of the R-Square analysis in Table 3. It can be seen that R-Square shows that the value of R-Square ($R^2$) for construct asset management (AM) is 46.5 or 46.5%. It belongs to moderate model based on opinion of Chin (1998). Variable management commitment (MC) and
competencies of asset administrator (CA) are able to explain variable asset management (AM) equal to 46.5% while 53.5% is explained by other variables.

Table 3: R Square Analysis

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>AM</td>
<td>0.465</td>
<td>0.454</td>
</tr>
</tbody>
</table>

Hypothesis testing can be done by analyzing the value of path coefficients after the bootstrapping process. To see hypothesis testing done by comparing t-statistic value with t-table value. The hypothesis is accepted if the value of t-statistic > t-table (1.96), but if the value of t-statistic < t-table (1.96) then the hypothesis be rejected. In addition, to test that the hypothesis can be done by analyzing the significance of p-value compared with the error rate set in this research is one-tailed test with alpha 5% (0.05). The p-values < 0.05 then the hypothesis is accepted, however, if p-values > 0.05, then the hypothesis can be rejected. The results of path coefficients analysis are presented in Table 4.

Table 4: The Result of Path Coefficients Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Original Sample</th>
<th>t-Statistic</th>
<th>p-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA &gt; AM</td>
<td>0.259</td>
<td>2.903</td>
<td>0.004</td>
</tr>
<tr>
<td>MC &gt; AM</td>
<td>0.519</td>
<td>7.004</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 4 described the analysis research hypothesis testing. The hypotheses are:

H1: Management commitment (MC) has a positive effect on asset management (AM) at Government Units in the city governments of South Sumatra Province.

H2: Competencies of asset administrator (CA) has a positive effect on asset management (AM) Government Units in the city governments of South Sumatra Province.

The explanation of the results of hypothesis testing based on Table 4 is as follows. The first Hypothesis states that variable management commitment (MC) has a positive effect on asset management (AM) at Government Units in the city governments of South Sumatra Province. Table 4 describes that MC testing with AM has a t-statistic value of 7.004 greater than the value of t-table at alpha 5% of 1.96. Thus, it can be said that the hypothesis is accepted. The value of p-values between MC and AM of 0.000 indicates a significant level at alpha 0.05 (5%). It means that Management Commitment (MC) has a significant effect on Asset Management (AM). Meanwhile, to analyze the direction of the relationship variable is by looking at the path coefficient value (original samples) between the variables of management commitment (MC) with asset management (AM) of 0.519 with a positive direction.

Thus, it can be concluded that the variables of management commitment (MC) have a significant positive effect on asset management (AM) at Government Units in the city governments of South Sumatra Province. It means that the first hypothesis is accepted. This is in line with the research by (Cooper, 2006) that defined management commitment is to maintain and engage in behaviors that can help others achieve a goal. He found that senior management commitment played a primary role in shaping employee behaviors and a secondary role by shaping lower management behavior that acts in turn on employee behavior.

Other researchers that clarify the relationship between management commitment and performance are (Tan, C. and Hamzah, 2008), (Pheng & Teo, 2004); (Taylor & Wright, 2003), Chin et al. (2003). In an effort to improve the performance of asset management, it is expected that management must fully understand and support the management of assets and actively participate in its implementation, rather than delegate it.

The second hypothesis states that the Variable Competencies of Administrator (CA) have a positive effect on Asset Management (AM) at Government Units (OPD) in the city governments of South Sumatra Province. Table 4 shows that the test CA with AM has a value of 2.903 t-statistic greater than t-table at alpha 5% by 1.96. Thus, it can be said that the hypothesis is accepted. The value of p-values between CA and AM of 0.004 indicates a significant level in alpha 0.05 (5%), which means competencies of administrator (CA) has a significant effect on asset management (AM)). The direction of the relationship of variables is analyzed by looking at the value of path coefficient (original sample) between competencies of administrator variable (CA) with asset management (AM) of 0.259 with positive direction.

Thus, it can be concluded that the competencies of administrator (CA) variable has a significant positive effect on asset management (AM). It means that the second hypothesis is accepted, which is in line with research conducted by Sedarmayanti (2007) that the organizational goals can be achieved because of the efforts of the actors found in the organization. Competence is a fundamental characteristic possessed by someone who has a direct influence or can predict good performance. In this case there is a close relationship between employee competencies and institutional performance. In other words, if the employee’s competence is good, then it is likely that organizational performance is also good. Employee
competence will be better if you have high knowledge, established skills and a good work attitude.

Other research which clarifies the relationship between competencies and performance are (Qiao & Wang, 2009); (Ryan, Emmerling, & Spencer, 2009); (Boyatzis, 2008); (Levenson et al., 2006); Dainty (2004). In an effort to improve the performance of asset management, it is expected that the management of assets can be given adequate training to improve performance in asset management.

3.1 The influence of management commitment on asset management at Government Units in the city governments of South Sumatra Province.

(Cooper, 2006) stated that management commitment is defined as maintaining and engaging in behavior that helps others achieve a goal. Management Commitment is direct management participation in important aspects and programs of an organization and must be driven by the power of desire to improve the quality of all organizations' businesses. Top management has the power and motivation to influence a change. Leadership that is shown in the top management commitment and supported by all members of the organization will change towards a better direction.

In line with (Tan, C., and Hanzah, 2008) top management commitment towards quality management, it is generally perceived as one of the key factors in determining its success. The research conducted by (Munaim, 2012) found the existence of management commitment in the implementation of technical regulation of asset management is a contributing factor to the implementation of good asset management policies in each OPD to the Government of West Nusa Tenggara Province. In line with the results of research by Chin et al. (2003), (Simamora & Halim, 2013) also stated that management commitment factors are more critical to affect asset management. Management commitment is needed in overcoming problems related to asset management. This is indicated by the information obtained indicating that of managers who do not pay attention to asset issues makes asset management a complicated matter.

Other studies that support the results of this study are (Caroline et al., 2016); (Javed, 2015); (Abomaleh & Zahari, 2014); (Namada, Aosa, Awino, & Wainaina, 2014); (Yousaf, 2006); (Taylor & Wright, 2003); (Pheng & Teo, 2004); Samson et al. (1999).

3.2 The influence of Asset Administrator’s Competencies on Asset Management at Government Units in the city governments of South Sumatra Province.

Implementation of asset management requires asset administrators with adequate competencies. The competencies possessed by the asset administrator will determine the ability of the organization in achieving the objectives of asset management. According to Yusuf (2013), the key to successful management of regional property is the availability of competent employees in the management of regional property. It is necessary to have competent employees who have knowledge about regional assets, skills in managing regional assets, and attitudes towards managing local assets. Knowledge about asset management will be very helpful in making asset management decisions that provide space for administrators to empower/utilize an asset for the benefit of government operations (Yusuf, 2013).

(Darno, 2012) found empirical evidence of the influence of the ability of human resources on the quality of local asset reports. According to (Supriyadi, 2008), improving the quality of human resources that carry out inventory and management of regional property needs to be pursued in the form of education, training, or technical guidance. With this kind of activity, it is expected that the quality of asset administrators will increase and impact upon the quality of asset management.

The results of this study are in line with the research conducted by (Wahyudi, 2014) that competence shows skills and knowledge characterized by professionalism. Competency enhancement is certainly supported by the level of the employee’s education, specialization (skills), work experience and work attitude. (Zaim, Yaşar, & Ünal, 2013) analyzed the effects of individual competencies on performance in the services industries in Turkey. He found that competencies have a positive relationship to individual performance. Furthermore, core competencies have the most significant effect on individual performance. In line with (Zaim et al., 2013) and (Wahyudi, 2014), asset management competencies are the most significant factor, when it comes to asset management performance.
4 CONCLUSIONS

Based on the results of this study, it can be concluded as follows: 1) Management commitment has a significant positive effect on asset management at Government Units in the city governments of South Sumatera Province, meaning that Management Commitment has a strong influence on the optimization of asset management. 2) the competencies of an asset administrator have a positive influence on asset management, it means that competencies of asset administrators are needed to assist the asset management to be carried out optimally at Government Units in the city governments of South Sumatera Province.

This research has been conducted on the influence of management commitment and competencies of asset administrators on asset management. However, there are still some limitations in this study to be an input for further researchers especially on optimizing asset management. The limitations in this study are as follows: 1) The scope of this study is only limited to 4 city governments of South Sumatera Province, while there are 17 cities/districts in South Sumatera Province which were not included in this study; 2) two variables that influence asset management in this study are able to explain equal to 46.5%, while 53.5% is explained by other variables, thus, there is still less exploration of other factors that affect asset management; 3) The sample used in this study is only limited to the head of Asset Administrator, so that the information obtained is only limited to the perception of the head of asset administrator in Government Units.

In order to get better results, further researchers are expected to do, as follows: 1) It is expected to expand the research area to whole cities and districts in this province. 2) To add the number of variables that influenced asset management. 3) To include all of the officials of asset management in Government Units.

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