THE INFLUENCE OF GOOD GOVERNANCE IMPLEMENTATION TO ORGANIZATION PERFORMANCE:
ANALYSIS OF FACTORS AFFECTING
(Study on Intitution Amil Zakat Indonesia)

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Abstract
The development of non-governmental organizations such as Lembaga amil zakat, shadaqah infak and thus mushroomed as a social movement. The reality is, a gap between the potential for a large charity (20 trillion) by the realization of a very small charity (1 trillion). Of course, this indicates poor performance management organization LAZ zakat in particular when viewed from the achievement that only about 1 percent. It has an impact on society demands a high level of accountability and transparency of LAZ. The demand is a challenge for LAZ to make good governance (good governance). The results of this study are expected to be a reference for the development of organizational performance assessment model LAZ zakat in particular by looking at the factors that influence it. In accordance with the purposes of this study the variables studied were internal control, TQM, good governance and organizational performance. The unit of analysis is the study LAZ Foz active members numbering 50 LAZ. The purpose of the study to see the impact of the implementation of internal control and TQM to organizational performance through the application of good governance partially or simultaneously. The method used in this research is research that is the explanation, while the data analysis tool used is the analysis of structural equation modeling (SEM) using partial least square.

Key words: Internal Control, Total Quality Management, Good Governance, and Organizational Performance.

1. INTRODUCTION
Conversations and debates related to the implementation of the concept of charity as both a religious obligation of zakat individually or as a component of public finances is very popular. Law no. 38 in 1999 on Management of Zakat becomes stronger legal protection in the management of zakah in Indonesia, in an effort to support the fact that Indonesia is the world's largest population muslim, which amounted to 80% of the approximately 220 million people in Indonesia are Muslim population of 180 million (ERI Sudewo.2008: 15) which both have an obligation to fulfill zakat. These conditions should be a tremendous potential

<table>
<thead>
<tr>
<th>No</th>
<th>Description</th>
<th>Number</th>
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<tbody>
<tr>
<td>1</td>
<td>Depag (2007)</td>
<td>BAZ: Rp 12 billion and LAZ: Rp 600 billion</td>
</tr>
<tr>
<td>2</td>
<td>Depag (2008)</td>
<td>BAZ and LAZ: Rp 900 billion</td>
</tr>
<tr>
<td>3</td>
<td>Forum Zakat (2009)</td>
<td>LAZ in FoZ Data: Rp 900 billion</td>
</tr>
<tr>
<td>4</td>
<td>IZDR (2004-2008)</td>
<td>Rp 61,3 billion - Rp 361 billion</td>
</tr>
</tbody>
</table>
zakah related to zakah collection efforts. The following are potential zakah can be collected from various sources, namely

**Table 1.1 Zakat Potential in Indonesia**

<table>
<thead>
<tr>
<th>Description</th>
<th>Zakat Potential</th>
<th>Description</th>
<th>Zakat Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIRAC (Kompas .2008)</td>
<td>Rp 9,09 trillion</td>
<td>Direktur Thoha Putra Center Semarang,(2009)</td>
<td>Rp 100 trillion</td>
</tr>
</tbody>
</table>

With the establishment of many institutions of zakat amounted to 79 LAZ (FoZ.2009), can be used as an alternative for people in zakat funds in addition to

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Poor (billion)</th>
<th>Percentage of Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>39,30</td>
<td>17,75 %</td>
</tr>
<tr>
<td>2007</td>
<td>37,17</td>
<td>16,58 %</td>
</tr>
<tr>
<td>2008</td>
<td>41,70</td>
<td>21,92 %</td>
</tr>
</tbody>
</table>

With a huge gap between the potential of zakat which can be assembled with a charity fund that can be collected or realized, showing the low performance of the organization zakat in particular the Institute Amil Zakat (LAZ). Should the support device associated with the development of zakat in Indonesia during today. Of course this can not be allowed considering the magnitude of the potential that can be collected zakat and those funds can be used as an alternative revenue for the country.

The specific objective of this research is to look at management of zakat, with all its provisions, if managed properly should be able to raise the dignity of paupers, but in fact the potential is just wishful thinking alone. Though Indonesia as a country, which has a huge potential and strategic in collecting zakat, where the population largely Muslim. It is clear that zakat should be used as a source of revenue for the government to alleviate poverty. In relation to poverty, the data presented below on Indonesia’s poor both in number and percentage as follows

**Table 1.3 Number and Percentage of Poor in Indonesia**

Source: Adapted from the National Socioeconomic Survey Data: 2009

The urgency of this research, by looking at the various issues that is suppose to be a barrier why potential zakat in Indonesia is very large is not well managed and optimized and low impact on organizational performance zakat in particular *Lembaga Amil Zakat* (LAZ) in Indonesia. The problem from a variety of sources are presented as follows:


b. Charity fund managers considered do not have optimal quality of human resources which are competent, trust, and have high work ethic (Jamil Azzaini.2008: 9 & 13).

c. Muzakis awareness level in Indonesia is still low at
only 55% (PIRAC.2008).

d. Bureaucratic system and good governance are still weak in regard to the management zakat in Indonesia, so the impact on the lack of accountability and transparency LAZ (Asep Saefuddin Jahan :2006:6-7).

In addition to the cause of the problem has not been optimal management of zakat in Indonesia, another issue that needs to be fixed based (CID survey Dompet Dhuafa and LKHI-FHUI :2008:11-16) has been summarized into seven main issues, namely: (1) Institutional Issues, (2) Problems of Legislation, (3) collection, distribution and utilization of zakat, (4) Monitoring and Reporting, (5) Correlation with Tax zakat, (6) community participation and (7) Sanctions and Dispute zakat

To be able to optimize potential of LAZ particularly with respect to raising funds, it should be done by LAZ, namely:

a. Managing charity professionally. As for some of the requirements can be said is a professional LAZ (Almisar Hamid: 2009:13), namely (1). formal competence, (2). high level of working commitment, (3). improve themselves through associations, (4). Willing to increase competence, (5). Adhere to professional ethics and (6). Obtaining Just compensation.

b. Increasing the transparency of reporting and targeted distribution, as well as unique programs in community empowerment.

c. Perform a variety of training related to the management of both formal and informal charity for LAZ human resources as the main guard to the success of LAZ (Jamil Azzaini,2008:13).


From the description of the problems that have been pointed out as problems related to the performance of organizations LAZ zakat in particular, showed a very complex problem. It stems from distrust of the institutions mentioned zakat (CID Wallet Dhuafa and LKHI-FHUI :2008:19-20).

For supporting, it should start by creating a good corporate management and optimized so that it will have an impact on organizational performance to become better. This is consistent with Feroz research, Sanjay and Raymod (2008:128) that there is a reciprocal influence between the performance of the organization’s corporate governance. Where the implementation of effective corporate governance will create a high performance organization, contrary to the achievement of high performance organizations demonstrate high organizational accountability. Even research Aras and Crowther (2008:444), the 100 companies in the Turkish stock market (FTSE), states that there is influence between good governance with sustainability. Sustainability is defined as a form of strategic performance of the company due to long term.

One of the pillars of the organization should be applied to good governance is to design and implement internal control. Internal control, especially for zakat fund management organization (such as LAZ), is a medium to bridge the interests of consumers (mustahik and muzaki) and management. In company management, the top management delegate authority to the lower levels of management. To ensure that what is directed by top management really has done, management need controls to provide reasonable assurance that the company’s objectives can be achieved.

Furthermore, internal control is an organizational planning and coordination of all methods and measures adopted within a business (including operational LAZ) to maintain assets, test the accuracy and reliability of data accounting, operational efficiency and encourage the promotion of compliance with managerial policies. Thus the internal control to overcome the problems associated with monitoring and reporting in order to create accountability and transparency expected by society. Thus, internal control, is expected to make LAZ as zakat professional institution through the implementation of good governance that impact on increasing public confidence. In line with the results
of research Christian Herdinata (2008:14-15), that in order to implement good corporate governance requires the development and implementation in the form of adequate internal control structure related to the provision of accurate data. Furthermore, research Hiro Tugiman (2003:1) that research on several non-profit organizations, which are linked to the achievement of the objectives of the internal control and organizational performance. Accounting theories developed largely devoted to non-profit organizations, including the LAZ, social institutions, government agencies, and legislative branches shall not managed properly. Non-profit organization and any organization must be managed according to the principles of good organizational management or good governance.

Then, one model that can be applied to support the efforts for achieving the potential of zakat in Indonesia is to implement a model of Total Quality Management (TQM). TQM is a management model of doing business to achieve good governance. through continuous improvement of products, services, people, processes and the environment. By implementing TQM models, to create a better management of zakat funds. According Samdin (2002:19) there are several reasons why TQM needs to be applied in the management of zakat by LAZ include: (1) in order to improve competitiveness and excel in competition, (2) produce the best LAZ output, (3) increasing the confidence of muzikas, and (4) to improve the quality management of zakat (good governance) so as to improve customer satisfaction. This is in line with research Zahirul Hoque (2003:563), that there is the influence of the implementation of total quality management to organizational performance using a balanced scorecard approach to performance assessment.

Based on the urgency of the research above, this study is a continuation of previous studies with the results are the effect of implementation of internal control and total quality management againsts good governance implementation (Sri Fadilah: 2011:40), further research will analyze how the implementation of internal control and the implementation of total quality management influence the implementation of good governance and its implications on organizational performance either partially or simultaneously on LAZ throughout Indonesia.

II. Framework and Hypothesis

Definition and Components of Internal Control

According to the Committee Of Sponsoring Organization of the Treadway Commission (COSO:2004: 13) which was also cited by the Indonesian Institute of Accountants (IAI:2009: 319.2), internal control is important for all managers in the organization to understand the importance of implementing and maintaining internal control effectively. To achieve the objectives of internal control, COSO (2004:16-18) describing the components of internal control, as follows:

Environmental control

Consists of actions, policies and procedures that reflect the overall attitudes of top management, directors and owners of the entity's internal control and its importance to the control.

Risk assessment

It is as a process to identify, assess, manage and control the situation or potential incidents to provide reasonable assurance that the objectives of the organization is achieved.

c. Control Activity

The policies and procedures that help to ensure that necessary measures have been implemented to deal with the risks in achieving the entity.

d. Information and communication

Implementation goal of information and communication systems is to identify, record, process and report entity transactions and to maintain accountability of the organization.

e. Monitoring

Monitoring is the process of assessing the quality of internal control performance all time.
2.2 Definition and Components of Total Quality Management

Total quality management (TQM) is a recent breakthrough in the management of all activities aimed at optimizing customer satisfaction through process improvement and sustainable. According to Tenner and Detoro (1993:32), TQM has three basic philosophy that can be drawn as point of various opinions about TQM, are as follows:

1. Focusing on customer satisfaction
   Internal customers are employees following or following departments that involved in the production / creation services. External customers are people or organizations that buy and use the products or services of the company.

2. Empowering and Engaging Employees
   In the fierce competition, employees are required to have the expertise and good knowledge in performing their duties. The company should provide more training and opportunities to be involved in the decision making process.

3. Continuous quality improvement (continuous improvement)
   In the implementation process improvements are implemented based on the Deming wheel plan, do, check and action (PDCA cycle) wheels that rotate continuously to prevent recurrence of damage.

   Then, the implementation of TQM in the LAZ, in order to realize a credible institution of zakat, one attempts to do is to implement TQM. Furthermore, especially LAZ, according to (Budi: 2002:16) efforts to conduct continuous quality improvement can be achieved in two ways, as follows:

   1. LAZ can make a more strategic position in terms of management of the ZIS by means of the conception of fiqh socialize more appropriate.
   2. LAZ can improve outcomes in terms free from damage that can hinder agency operations.

   Expected to continuous quality improvement are two ways in which LAZNAS can achieve the goal of raising funds from muzaki ZIS and ZIS able to distribute funds to mustahik, and to improve services to the community in an optimal and can ultimately increase participation for the success of the community institutions also enhance competitiveness of the institution in the form of performance.

2.3 Definition and Good Governance Component

The definition of corporate governance, the OECD (1999:30) defines corporate governance as follows: “corporate governance is the system by which business corporation are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in corporation, such as the board, the managers, shareholders and other stakeholders and spells out of the rules and procedures and for making decision on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.”

The purpose of the definition is that a system used to direct and control the company's business activities. Corporate governance regulate the division of duties, rights and obligations of those who are interested in the life of the company, including shareholders, board members, managers and all members of non-shareholder stakeholders. The division of duties, rights and obligations of the above also serve as guidelines for how to evaluate the performance of the board of directors and management of the company. Good corporate governance is defined as a system to direct and control the company. The same thing with the definition proposed by Wahyudin Zarkasyi (2008:42) is a system (input, process and output) and a set of rules that govern the relationship between the various interested parties, especially in the narrow sense of the relationship between the shareholders, the board of commissioners and board of directors for achievement of corporate objectives.
OECD states that good corporate governance is a means of management of the company (the directors) is responsible to the owner of the company or shareholders. The goal of good corporate governance as stated in the OECD (1999: 34) is aimed at: (1) to reduce the gap (gap) between the parties that have an interest in a company, (2) increasing the confidence for investors in making the investment, (3) reduce the cost of capital, (4) assure to all parties on legal commitments in the management of the company and (5) the creation of value for the company, including the relationship between the stakeholder. Furthermore, in order to implement good governance, the need for standards or principles used to guide the company’s management practices to enhance the value and viability of the company. Organization for Economic Cooperation and Development (OECD, 1999:25) has developed the following principles: (a) Fairness, (b) Transparency, (c) Accountability, and (d) Responsibility.

The unit of analysis of this research is the Institute Amil Zakat throughout Indonesia and LAZDA LAZNAS both are public sector organizations whose main activity is to perform the role of intermediary management of zakat, infak and Sadaqah are in running company operations should be bound by the rules of either vertical (sharia) or horizontally (the rules Ministry of Religious Affairs and Zakat Forum) LAZNAS well as independent agencies (not the government), then the principles of good governance are used in this study based on the decision of the Minister of State Owned Enterprises No. 117/M-MBU/2002, that the implementation of good corporate governance in SOEs known five principles. these five principles are: (a) responsibility, (b) accountability, (c) fairness, (d) tranparency and (e) independency. description of each principle is as follows:

1. Responsibility
   Is compliance in the management of the company to the legislation in force and the principles of corporate / organizational health. According

Sukrisno Agoes (2005:15) suggests that the principle of responsibility of each individual within the company should be responsible for his actions, especially with respect to roles and responsibilities defined.

2. Accountability
   Is clarity of function, implementation and accountability of the general meeting of shareholders, the board of commissioners or supervisors and directors, and owners of capital management company to run effectively and efficiently. Suryo Pratolo (2006:87) argues accountability as a need to provide a report on the activities of the company. Accountability can also be interpreted as an acceptance of accountability for decisions, accountability in the implementation should be structured means every organization personnel have direct responsibility every aspects of the organization.

3. Fairness
   Is fair and equal treatment in fulfilling the rights of stakeholders arising under treaties and laws that apply to ensure that the company is managed prudently for the benefit of stakeholders in a fair and avoid the occurrence of adverse corporate practices.

4. Transparency
   Is implementing in the decision making process and in the proposed material and relevant information about the company. Transparency relates to the quality of the information conveyed companies. Investor or consumer confidence will greatly depend on the quality of information given company.

5. Independency
   Is a state in which the company managed in a professional manner without the help of the importance and influence / pressure from the party that is not in accordance with the legislation in force and the principles of a healthy organization.
2.3.1 Organizational Performance: The Balanced Scorecard Performance Measurement Model

According to Kaplan and Cooper (1998:87) defines the Balanced Scorecard as follows: a measurement and management system that views a business unit’s performance from four perspectives: financial, customer, internal business process, and learning and growth. Based on these quotes, it can be concluded that a balanced scorecard management systems, measurement and control quickly, accurately and comprehensively can provide insight to managers on business performance.

Balanced Scorecard is a performance management contemporary concepts ranging widely applied in public organizations, including government organizations are also applied to business organizations Zakat as LAZ and BAZ. Balanced Scorecard considered appropriate for public organizations, because the balanced scorecard is not only emphasizes the quantitative and financial aspects, but also the qualitative and nonfinancial aspects. This is consistent with the public sector organizations that puts profits rather than as the main performance measure, but the service tends to be qualitative and nonfinancial. Although the balanced scorecard concept was born in the world of business, public organizations can also adopt the concept of a balanced scorecard with some modifications. The adoption of the balanced scorecard in a public organization aims to improve the performance of public organizations, since the case in some large organizations are implementing the balanced scorecard suggests that the balanced scorecard is a comprehensive management tool and powerful way to boost the performance of organizations.

Although primarily designed for business organizations operating in the private sector, but in the development of balanced scorecard can be applied to public sector organizations and other non-profit organizations. The main difference with the public organizations, especially business organizations is the objective are non-profit while the public sector. Business organizations focus on quantitative measures and financial, such as net income, earnings per share, return on investment, and so on. Actual financial performance measures are appropriate to be used when an organization is in the industrial era, but when organizations are facing an era of information and communication technology revolution and the era of knowledge-based economy. If you only rely on financial performance measures will lead the organization to miss and lose direction. This is due to insufficient financial measures to guide and evaluate the way organizations through a competitive environment and is a measure of past performance based on historical accounting data.

Kaplan and Norton (1996:102) indicates that the balanced scorecard provides executives a comprehensive framework to translate vision and strategy into an integrated set of performance measures. Balanced scorecard translates mission and strategy into objectives and measures are organized into the four perspectives, namely: financial, customers and stakeholders, internal business process, as well as employees and organization capacity. Balanced scorecard framework is not limited to business organizations, but public organizations can use it with a different pedestal placement, if the business organization is tumpuannya financial perspective, it is in the public organizations, perspective customers and stakeholders, as a public service organization's bottom line. Furthermore, the main focus in public organizations is the mission of the organization is to serve and improve the welfare of the community. Of the mission formulated strategies adopted to achieve its mission. The following figure outlines the linkage of organizational strategy is then translated into four perspectives, namely the perspective of customers and stakeholders, financial perspectives, internal business process perspective, and the perspective of employees and organization capacity.
The description of each perspective of Figure 2.1 as follows:

a. Customers and Stakeholders Perspective
Review from the perspective of customers and stakeholders in the public sector organizations basically wanted to know how customers and stakeholders view the organization. Customers and stakeholders in the public sector is the primary payer and the public charity public service users, for the organization of zakat is muzaki as the party handed charity and mustahik as the party receiving zakat. Therefore, the perspective of customers and stakeholders LAZ organization focused to meet the satisfaction of the public, especially Muslims. Satisfaction of customers and stakeholders will trigger the perspective of customers and stakeholders can use their size as follows: (1) Citizen satisfaction, (2) Service coverage, and (3) quality and standards..

b. Financial perspective
Financial perspective in public organizations is to answer how organizations increase revenue and reduce management costs and how we see the Zakat payer?. Financial perspective to explain what is expected by your primary source of financial funding that the muzakis. Thus LAZ should focus on something that is expected muzaki, the charity expects that the issuance were used economically, efficiently and effectively, as well as meet the expectations of the principles of transparency and public accountability. Although organizations such as LAZ not pursue profit, but LAZ should seek how to increase income from zakat and the level of effectiveness of the services provided by LAZ. Thus the financial perspective can be used the following measures: (1) Efforts to raise zakat collected and empowered, (2) Effectivity of services, (3) increase the amount of zakat collected, and (4) increase the amount of zakat which empowered

c. Internal Business Process Perspective
In internal business process perspective seeks to build organizational excellence by improving internal business processes in a sustainable organization. Strategic objectives in the internal business process perspective is the perspective of customers and stakeholders to support and financial perspective. In the perspective of the organization’s internal business processes to identify key processes that must be managed properly in order to wake up a good financial organization. The question that must be answered by the organization are: "(1) we have to excel in any field?, And (2) how do we build excellence". Achievement of strategic objectives in this perspective will have an impact on customers and stakeholders satisfaction. Several goals or strategic objectives in the internal business processes such as improving service processes, cycle repair services, infrastructure capacity, updating technology and process integration services customers and stakeholders will directly affect the satisfaction of customers and stakeholders and will indirectly have an impact on financial performance. In order to improve the performance of the internal business process perspective of public sector organizations need to identify and measure the organization’s core competencies, identify the main process services, identify key technologies that need
to be owned and define performance measures and performance targets. In LAZ organizational excellence can be designed from product innovation to satisfy and empower muzaki/mustahik, as well as the development of network information systems that can facilitate muzaki to distribute zakat and facilitate mustahik receive zakat. Thus the internal business process perspective can be used following sizes: (1) The innovation of product and (2) Management Information System.

d. Employees and Organization Capacity Perspective

Internal business process perspective and the perspective of customers and stakeholders in a balanced scorecard, identifying the parameters for building organizational excellence. Targets and measures of success will continue to change with time. Therefore, organizations must be able to innovate, be creative and learn. Organizations need to make continual improvements and create sustainable growth. In public sector organizations such as LAZ, employees and organization capacity perspective is focused on answering the question: "how do organizations continue to make improvements and add value to customers and stakeholders?". Strategic goals and objectives set in the perspective of employees and organization capacity to influence the other perspective, the internal business process perspective and the perspective of customers and stakeholders. Several strategic targets in the perspective of employees and organization capacity, among others: (1) an increase in employee skills, (2) increasing employee commitment, (3) increased ability to build a network, and (4) increasing employee motivation. Perspective of performance measures for employees and organization capacity to LAZ focused on "amilin" as the subject of zakat. Thus the performance measure in perspective employees and organization capacity measures may be used: (1) Skill coverage, (2) income and welfare personnel, and (3) Personnel satisfaction.

2.5 Previous Research

Clarity of direction, originality and usefulness of a study conducted by a researcher will be seen clearly when the researchers were able to some current research. The research findings were used as reference in this study relates to: (1) internal control, (2) total quality management: and (3) good governance, and (4) the performance of the organization. In connection with this, then, in this section will be discussed some of the findings of previous research on the effect of the implementation of internal controls, and the implementation of total quality management to organizational performance through the application of good governance, as follows:

2.6 Research Hypothesis

Based on the theoretical framework that has been described previously as well as the support of previous studies, the research hypothesis is: "There is the influence of the implementation of internal control and the implementation of total quality management to organizational performance simultaneously or partially, and through the application of good governance.

III. Research Methods

3.1 Research Methods and Data Collection Techniques

The planned research method in this research is explanatory research, as study that explains the causal relationship among these variables (Cooper and Schindler, 2006:154). Furthermore, to obtain the data needed to prove the hypothesis of the study, using multiple data collection techniques, i.e. questionnaires, interviews and documentation.

3.2 Testing Research Instruments

1. Test of Validity

Validity test conducted to determine whether the measure has drawn actually measure what needs to be measured. Due to the scale of measurement of the data is ordinal then test the
validity of this research using product moment correlation. Based on the results of treatment using Pearson product moment correlation (r):

<table>
<thead>
<tr>
<th>Variables</th>
<th>The range of values r</th>
<th>critical</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Control (PI)</td>
<td>0.511 – 0.897</td>
<td>0.30</td>
<td>all valid</td>
</tr>
<tr>
<td>Total Quality Management (TQM)</td>
<td>0.524 – 0.884</td>
<td>0.30</td>
<td>all valid</td>
</tr>
<tr>
<td>Good Governance (GG)</td>
<td>0.431 – 0.869</td>
<td>0.30</td>
<td>all valid</td>
</tr>
<tr>
<td>Organizational Performance (KO)</td>
<td>0.431 – 0.869</td>
<td>0.30</td>
<td>all valid</td>
</tr>
</tbody>
</table>

Table 3.1 Questionnaire Validity Test Results

From total target population numbering 50 LAZ, who completed a questionnaire in this study amounted to 41 LAZ, consisting of 14 and 27 LAZDA LAZNAS, while 9 LAZ not willing to serve as a target population / respondents of the study.

3.4 Design Analysis and Hypothesis Testing

In accordance with the formulation of the problem, purpose of the research, the formulation of hypotheses and the amount of data to be collected, data analysis methods used in this research is to use partial least square (PLS). Partial least squares was developed as an alternative to structural equation modeling with a weak theoretical foundation. In this study, partial least square is used to determine the influence of a partial or simultaneous implementation of internal controls, and the implementation of total quality management and organizational performance through the application of good governance in the LAZ throughout Indonesia.

IV. Research Findings and Discussion

4.1 Measurement Model and Structural Model

The Influence of the implementation of internal controls, and the implementation of total quality management to organizational performance were analyzed using structural equation modeling, alternative methods with partial least square.
Similarly, the covariance-based SEM, the variance-based SEM also created two models, the measurement model and structural model. Through the measurement model to Reflexive indicators will be assessed the validity of each indicator and test the reliability of the construct indicators were assessed. The indicator has a loading factor of less than 0.50 will be dropped from the model, while considered satisfactory composite reliability is greater than 0.70. Here is presented a model of the measurement of each variable (construct) were used in this study.

**Tabel 4.1 Loading Factor Indikator Masing-Masing Variabel Penelitian**

Source: Results of data processing

After describing the measurement model of each variable of the study, will be further described structural models between variables formed from the measurement model. Based on the structural model testing framework, the outline there are 3 sub-structures to be tested (hypothesis) in this study, namely:

1. The Influence of implementation of internal control, and total quality management to the implementation of good governance simultaneously and partially.
2. The Influence of implementation of internal control, and total quality management to organizational performance and simultaneously and partially through the implementation of good governance.
3. The influence of the application of good governance to organizational performance.

Then, effect of the implementation of internal controls, and the implementation of total quality management to organizational performance were analyzed using structural equation modeling, alternative methods with partial least square. Similarly, the covariance-based SEM, the variance-based SEM also created two models, the measurement model and structural model. Through the measurement models to Reflexive indicators will be assessed the validity of each indicator and test the reliability of the construct indicators were assessed. The indicator has a loading factor of less than 0.50 will be dropped from the model, while Considered satisfactory composite reliability is greater than 0.70. Here is presented a model of the measurement of each variable (construct) were used in this study.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Control</td>
<td>0.959 (recommended)</td>
<td>0.825 (represented 82.5%)</td>
</tr>
<tr>
<td>Total Quality Management</td>
<td>0.920 (recommended)</td>
<td>0.793 (represented 79.3%)</td>
</tr>
<tr>
<td>Good Governance</td>
<td>0.908 (recommended)</td>
<td>0.668 (represented 66.8%)</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td>0.945 (recommended)</td>
<td>0.811 (represented 81.1%)</td>
</tr>
</tbody>
</table>

**Figure 4.1 Complete Line Diagram Model (Full Model) Between Variables**

Through the full path diagram model will be further tested the hypothesis that the research is divided into 3 sub-structure, but previously served first path coefficient and the value of the test statistic T for each lane.

[25]
Table 4.2 Each Path Coefficient of Relationship Between The Different Variables

<table>
<thead>
<tr>
<th>Path Coefficient</th>
<th>t_{hitung}</th>
<th>t_{kritis}</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.481</td>
<td>3.463</td>
<td>1.96</td>
<td>There is significant effect</td>
</tr>
</tbody>
</table>

Source: Results of data processing  
*t_{kritis} = 1.96

4.2 Testing Hypotheses and Discussion

After describing the measurement model and the structural model of each variable, further significance test the influence of each exogenous variable (independent variable) on the endogenous variable (dependent variable) in accordance with the existing hypothesis.

4.2.1 The Influence of Internal Control and Total Quality Management to Implementation Of Good Governance.

4.2.1.1 The Influence of Implementation of Internal Control and Total Quality Management Toward Implementation of Good Governance By Simultaneous and Partial

A. The Influence of Implementation of Internal Control and Total Quality Management Toward Implementation of Good Governance By Simultaneous.

The first hypothesis to be tested is the effect of the implementation of internal control and total quality management to the implementation of good governance. Through the values contained in the path diagram of the structural model among latent variables in Figure 4.1 can calculate the influence of each variable implementation of internal control, and total quality management to the implementation of good governance and the results are presented in the following:

Table 4.3 Major Influence Variable and Implementation of Internal Control Total Quality Management Implementation Of Good Governance

Source: Data were re-managed

Table 4.4 Significance Tests toward Influence of Implementation of Internal Control and Total Quality Management In Together Against the Implementation of good governance.

Source: Data were re-managed

In Table 4.4 it can be seen by 16.394 Fhitung value greater than F table (3.245), because the value is greater than Ftabel Fhitung then at 95% confidence level can be inferred jointly implementing internal control and total quality management significantly influence the implementation of good governance. Statistical test results according to the researchers’ expectations, if the implementation of internal control and total quality management are optimally applied it tends to increase the application of good governance. The
results of statistical tests have proven the existence of significant influence both variables together towards the implementation of good governance.

B. Effect of Implementation of Internal Control to Good Governance Implementation

Hypothesized that the implementation of internal control affecting the implementation of good governance. Here are the results of the significance test the following hypothesis.

<table>
<thead>
<tr>
<th>Path Coefficient</th>
<th>$t_{hitung}$</th>
<th>$t_{kritis}$</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.358</td>
<td>3.066</td>
<td>1.96</td>
<td>There is significant effect</td>
</tr>
</tbody>
</table>

In Table 4.5 it can be seen the coefficient of internal control implementation path towards the implementation of good governance at 0.481 with a positive direction. Path coefficient is positive indicates that the implementation of good internal control tend implementation of good governance is also good. Furthermore tcount (3.856) greater than tkritis (1.96) shows that the implementation of internal control significant effect on the implementation of good governance. Directly variable implementation of internal control or influence contributing 23.1% to the implementation of good governance, and indirectly influence its association with total quality management by 5.2%. In total implementation of internal control or influence by contributing 28.3% increase in the application of good governance.

Statistical test results according to the researchers’ expectations, if the implementation of internal control better, so the implementation of good governance is also good. The results of the statistical test has proved the existence of a significant effect of the implementation of the internal control toward good governance implementation.

C. Effect of Implementation of Total Quality Management Toward Good Governance Implementation

Hypothesized that total quality management affect the implementation of good governance. Here are the results of the significance test the following hypothesis.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Path coefficient</th>
<th>Direct Effect</th>
<th>Indirect Effect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI</td>
<td>0.481</td>
<td>23.1%</td>
<td>5.2%</td>
<td>28.3%</td>
</tr>
<tr>
<td>TQM</td>
<td>0.358</td>
<td>12.8%</td>
<td>5.2%</td>
<td>18.0%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>46.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In Table 4.6 it can be seen variable path coefficient total quality management to the implementation of good governance at 0.358 with a positive direction. Path coefficient is positive shows that total quality management the better tends to make the implementation of good governance is also getting better. Furthermore, the calculated value of t (3.066) greater than tkritis (1.96) indicates that there is a significant effect of total quality management to the implementation of good governance. Directly total quality management variables contribute to or influence by 12.8% against the implementation of good governance, and indirectly influence its association with the implementation of internal controls by 5.2%.

Overall total quality management contributed 18.0% or influence in improving the implementation of good governance. Statistical test results according to the researchers’ expectations, if total quality managemen better, it tends to improve.
the implementation of good governance. The results of statistical tests have proven the existence of significant influence of total quality management to the implementation of good governance.

4.2.1.2 Effect of Implementation of Internal Control and Total Quality Management Against Organizational Performance In Simultaneous and Partial and Through Implementation of Good Governance

The second hypothesis to be tested is the effect of the implementation of internal control, and total quality management to organizational performance simultaneously and partially through the implementation of good governance. Through the values contained in the path diagram of the structural model among latent variables in Figure 4.1 can be calculated much influence each of the exogenous variables on endogenous variables

Table 4.7 Large Effect of Variable Implementation of Internal Control and Total Quality Management and Organizational Performance Against Implementation of Good Governance.

<table>
<thead>
<tr>
<th>Variable Laten</th>
<th>Path Coefficient</th>
<th>Direct Effect</th>
<th>Indirect Effect By Independent Variable</th>
<th>By Implementation of Good Governance</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI</td>
<td>0,216</td>
<td>4,7%</td>
<td>0,6%</td>
<td>8,8%</td>
<td>14,1%</td>
</tr>
<tr>
<td>TQM</td>
<td>0,098</td>
<td>1,0%</td>
<td>0,6%</td>
<td>3,4%</td>
<td>5,0%</td>
</tr>
<tr>
<td>Altogether Total Effect =</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>19,1%</td>
</tr>
</tbody>
</table>

Table 4.8 Significance Tests Effect of Implementation of Internal Control, Total Quality Management In Simultaneous Against and Organizational Performance Through Implementation of Good Governance.

Source: Data were re-managed

In Table 4.8 it can be seen Fhitung value of 4.486 is greater than F table (3.245), because the value is greater than Ftable Fhitung then at 95% confidence level can be inferred jointly implementing internal control, and total quality management a significant effect on organizational performance.

Statistical test results according to the researchers’ expectations, if the implementation of internal control, and total quality management are optimally applied it tends to increase organizational performance. The results of statistical tests have
proven the existence of significant influence these three variables to organizational performance.

B. Effect of Internal Control Implementation Of Organizational Performance.

Hypothesized that the implementation of internal control affecting the performance of the organization. As for significance test will be presented in the following table:

**Table 4.9 Significance Tests Effect of Implementation of Internal Control Against Organizational Performance**

<table>
<thead>
<tr>
<th>Path coefficient</th>
<th>( t_{hitung} )</th>
<th>( t_{kritis} )</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.216</td>
<td>2.461</td>
<td>1.96</td>
<td>There is significant effect</td>
</tr>
</tbody>
</table>

Source: Data were re-managed

In Table 4.9 it can be seen the coefficient of internal control implementation path to organizational performance by 0.216 with a positive direction. Path coefficient is positive indicates that the implementation of good internal control tends to improve organizational performance. Furthermore, the calculated value of \( t \) (2.461) greater than \( t_{kritis} \) (1.96) indicates that there is a significant effect of the implementation of internal control to organizational performance. Directly variable implementation of internal controls or influences contributed 4.7% to the performance of the organization, and indirectly influence its association with total quality management by 0.6% and the indirect effect through the application of good governance by 8.8%. In total implementation of internal control or influence contributing 14.1% to improve organizational performance.

Statistical test results according to the researchers’ expectations, if the implementation of internal control better, the performance of the organization is likely to increase. The results of the statistical test has proved the existence of a significant effect of the implementation of internal control to organizational performance.

C. Effect of Implementation of Total Quality Management Against Organizational Performance.

Hypothesized that the implementation of total quality management affects organizational performance. As for the significance test are presented in the following table:

**Table 4.10 Effect of Test Significance Of Implementing Total Quality Management against Organizational Performance**

<table>
<thead>
<tr>
<th>Path Coefficient</th>
<th>( t_{hitung} )</th>
<th>( t_{kritis} )</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.098</td>
<td>1.328</td>
<td>1.96</td>
<td>There in no significant effect</td>
</tr>
</tbody>
</table>

Source: Data were re-managed

Table 4:10 can be seen in table path coefficient of total quality management to organizational performance by 0.098 with a positive direction. Path coefficient is positive shows that total quality management that makes both high-performance organizations tend. Furthermore tcount (1.328) is smaller than tkritis (1.96) indicates that there is no significant influence of total quality management to organizational performance. Directly variable total quality management or influence contributes only 1.0% to the performance of the organization, and indirectly influence its association with the implementation of internal control at 0.6%, and the indirect effect through the implementation of good governance by 3.4% . Overall total quality management contributes only 5.0% or influence in improving organizational performance.
Path coefficient  $t_{hitung}$  $t_{kritis}$  Conclusion
---
0.689  7.064  1.96  There is significant effect

### 4.2.1.3 Influence Of Good Governance Implementation against Organizational Performance

The third hypothesis to be tested is the effect of the implementation of good governance to organizational performance. Through the values contained in the path diagram of the structural model among latent variables in Figure 4.1 can be calculated much influence each and tests of significance in following table:

**Table 4.11 Significance Test of Good Governance Implementation against Organizational performance**

**Source:** Data were re-managed

Table 4:11 can be seen in table path coefficient implementation of good governance to organizational performance by 0.689 with a positive direction. Path coefficient is positive indicates that the implementation of good governance tend to produce higher organizational performance. Furthermore $t_{hitung}$ (7.064) greater than $t_{kritis}$ (1.96) shows there is a significant effect of the adoption of good governance to organizational performance. Implementation of good governance contribute to or influence for 47.5% of the performance of the organization.

Statistical test results according to the researchers' expectations, if the implementation of good governance better, the performance of the organization is likely to increase. The results of the statistical test has proved the existence of a significant effect of the adoption of good governance to organizational performance.

### V. Conclusion

The results of this study indicate that simultaneous and partial implementation of internal control and the implementation of total quality management significantly influence the implementation of good governance either directly or indirectly. This means that if the implementation of internal control and the implementation of total quality management applied optimally at LAZ throughout Indonesia, the implementation of good governance is likely to increase. Between these two exogenous variables, implementation of internal controls provide a greater contribution to the implementation of good governance.

Then there is the influence of the implementation of internal control, and total quality management to organizational performance simultaneous and partial through the implementation of good governance either directly or indirectly. This means that the implementation of internal control and total quality management are optimally applied to the performance of the organization will tend to increase. Between these two exogenous variables, implementation of internal controls provide a greater contribution to organizational performance. Recent research suggests there is influence of the implementation of good governance to organizational performance significantly. This means that the implementation of good governance tend to produce higher organizational performance.

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