Internal Control System, Employee Achievement, and Company Performance

Jerry Jerry
Accounting Department, Maranatha Christian University, Indonesia

Bram Hadianto
Management Department, Maranatha Christian University, Indonesia

Corresponding author
Bram Hadianto
bram.hadianto@eco.maranatha.edu

Article Info:	Abstract
	This study aims to prove the impact of employee achievement (EA) and an internal control system (ICS) on company performance (CP). Besides, verifying the influence of the ICS on EA and the mediation effect of EA on the association between ICS and CP become the other purposes. This study utilizes 120 employees from 15 general insurance companies in Bandung as the sample by snowball sampling technique and covariance-based structural equation model (CBSEM) to analyze the responses to the questionnaire. Because of the responses, this study tests their validity and reliability. After achieving them, this study detects and finds the response fitness with the CBSEM. Based on the hypothesis testing, this study demonstrates three evidence. Firstly, EA and ICS have a positive tendency towards CP. Secondly, a positive association between ICS and EA occurs. Finally, the mediating effect of EA on the relationship between ICS and CP exists. Considering these research results, ICS is the primary driver; therefore, general insurance companies must focus on five aspects: (1) environmental control, (2) risk valuation, (3) controlling the action, (4) information and communication, and (5) monitoring action, to make employees perform, causing the company to attain its goals.

1. INTRODUCTION

For top managers, performance is their responsibility to the stockholders. From a financial management perspective, they must focus on maximizing stockholder welfare (Gitman & Zutter, 2015). After performing the job well, they will be financially or non-financially compensated (Jackson et al., 2017). Indeed, they cannot stand alone in performing well. Therefore, they must manage the employees below their position to attain the company goals by correctly placing the right persons (Li, 2018).

Besides placing the right persons (Li, 2018), the managers need to set internal control to spot inadequacies in their system, obtain adequate information for environmental adjustment, and resolve business issues, i.e., unusable operations and resource deficiencies (Vu & Nga, 2022). Additionally, they do it to reach their operating goals (Liu et al., 2017), reflected by company performance (Wheelen et al., 2018), reinforced by employee achievement (Handayani et al., 2020; Nyathi & Kekwaletswe, 2022; Tarmidi & Arsjah, 2019).

The investigation on the relationship between employee achievement and company performance comes from some countries, i.e., Indonesia (Handayani et al., 2020; Tarmidi & Arsjah, 2019), Sri Lanka (Wanigasekara & Mendis, 2021), and Zimbabwe (Nyathi & Kekwaletswe, 2022). Unfortunately, the results are still contrary. In their research, Tarmidi and Arsjah (2019), Handayani et al. (2020), and Nyathi and Kekwaletswe (2022) confirm a positive sign. Wanigasekara and Mendis (2021) affirm this positive sign in the service sector when the return on assets (ROA) and equity become the firm performance. In the manufacturing sector, this mark only happens in the association between employee productivity and ROA.

Furthermore, studies focusing on the relationship between the internal control system (ICS) and company performance (CP) come from several countries, like China (Zhang & Su, 2023), Nigeria (Odunko, 2022), Vietnam (Hoai et al., 2022; Tam & Tuan, 2021; Tran et al., 2021; Tri et al., 2020), Ghana [see Ashiagbor et al. (2020), Otoo et al. (2021), and Tetteh et al. (2022)], Indonesia (Jatmiko & Gusmayanti, 2022; Pangaribuan et al., 2022), and Iraq (Hanoon et al., 2021). However, unreliable results are still available.

In their study, Odunko (2022) confirms an ICS-positive propensity measured by cash and inventory controls on company performance. However, when risk assessment quantifies ICS, it does not affect CP. Utilizing multiple attributes, Tam and Tuan (2021) document that control environment (CE) influences CP positively, but risk assessment (RA), control activity (CA), information and communication (IC), and monitoring do not. Tran et al.(2021) demonstrate that CE, CA, and monitoring positively affect CP; unfortunately, RA and IC do not. Tri et al. (2020) exhibit that CE, RA, CA, IC, and monitoring positively influence CP, but legal sanction has no effect. Otoo et al. (2021) declare a positive influence of RA, IC, and monitoring on CP, but CE and CA have no impact. According to Tetteh et al. (2022), CE, CA, and IC positively affect CP; unfortunately, monitoring and RA do not. Meanwhile, Pangaribuan et al. (2022) and Hanoon et al. (2021) demonstrate that CE, CA, RA, IC, and monitoring positively affect CP. Zhang and Su (2023) perform a positive association between ICS and company performance by utilizing a single attribute. However, Hoai et al. (2022) and Jatmiko and Gusmayati (2022) document no influence.

Research examining the association between the internal control system (ICS) and employee performance (EP) comes from various countries, such as Thailand (Mom & Kazimoto, 2021), Nigeria (Olufunmilayo & Hannah, 2018), Jordan (Alawaqleh, 2021; Jarah et al., 2023), and Indonesia (Amira & Permatasari, 2022; Wardayati et al., 2019). Unfortunately, the results are still mixed. Utilizing a single attribute, Alawaqleh (2021), Mom and Kazimoto (2021), Amira and Permatasari (2022), and Jarah et al. (2023) demonstrate a positive influence. By applying multiple attributes of ICS, the study of Olufunmilayo and Hannah (2018) documents a positive effect of CE and monitoring on EP but a worthless impact of RA, CA, and IC on EP. Additionally, Wardayati et al. (2019) exhibit no effect of CE, RA, IC, and monitoring on EP. However, control activities positively affect EP.

Based on contrary evidence, this study aims to prove the impact of employee attainment (EA) and internal control systems (ICS) on company performance (CP) and the effect of ICS on EA. Besides, it proves the mediating effect of employee attainment on the relationship between ICS and CP based on the variable position based on the studies mentioned in this section. Therefore, it differs from Jarah (2023) and Zhang and Su (2023), utilizing ICS as the mediator.

This study also focuses on employees from conventional general insurance companies in Bandung City, Indonesia. It differs from the others using taxi drivers (Tarmidi & Arsjah, 2019), managers from the subsidiary railway (Handayani et al., 2020), manufacturing and service firms (Wanigasekara & Mendis, 2021), and employees from technology, beverages, banking, mining, insurance, education, building, industrial, food, agro-industry, retail and agriculture (Nyathi & Kekwaletswe, 2022).

Unlike services in India covering five arenas, i.e., fire, maritime, motor, health, and crop (Rejikumar et al., 2021), the Indonesian conventional general insurance companies serve their clients in 15 fields, i.e., property, motor vehicle, marine cargo, marine hull, aviation, satellite, energy offshore and

onshore, engineering, liability, accident, health, credit, suretyship, and miscellaneous (General Insurance Association of Indonesia, 2023).

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Employee and firm performance

The company hires employees to have attainment, and they are expected to help their leaders build and realize their firm performance (Shmailan, 2016). Tarmidi and Arsjah (2019), Handayani et al. (2020), and Nyathi and Kekwaletswe (2022) confirm that statement by revealing a positive influence of employee attainment on company performance. Meanwhile, Wanigasekara and Mendis (2021) demonstrate that employee attainment only positively influences the return on assets (ROA) as a firm performance measurement in the manufacturing sector. In the service sector, they affirm this tendency when ROA and return on equity quantify company performance. Based on this evidence, the first hypothesis formulated is like this:

H_1: Employee achievement positively affects company performance.

2.2 Internal control system and firm performance

Preferably, the internal control system (ICS) intends to attain the firm objectives and goals (Hazzaa et al., 2022). This system consists of five components, i.e., (1) control environment, (2) risk valuation, (3) controlling action, (4) information and communication, and (5) monitoring action (Hanoon et al., 2021):

1. The control environment commits to (1) integrity and ethical values, (2) the supervisory board without view intervention, (3) organizational structure with a vibrant chain of commands and responsibility, (4) competent employee retention, and (5) accountability.
2. The risk valuation focuses on (1) the specified formulated objectives, (2) risk identification to attain the objectives, (3) potential fraud consideration, and (4) identified changes and their valuation.

3. The controlling actions highlight (1) the activity selection and development and (2) the control based on policies and procedures.
4. Information and communication emphasize the quality and the informational exchange internally and externally.
5. Monitoring action focuses on the ongoing evaluation and deficiency detection.

By three measurements of ICS: cash control (CC), inventory control (IC), and risk valuation (RV), Odunko (2022) confirms that a positive impact only happens when CC and IC act as the company performance factor, but RV does not. Using the banking sector in Iraq, Hanoon et al. (2021) indicate that all five components of the internal control system: (1) control environment, (2) risk valuation, (3) controlling action, (4) information and communication, and (5) monitoring action, positively influence this performance. Also, Pangaribuan et al. (2022) confirm these five tendencies in Indonesian companies. In their investigation in China, respectively, Zhang and Su (2023) disclose that the internal control system positively affects the firm financial performance. Based on this evidence, the second hypothesis formulated is like this:

H_2: An internal control system positively affects company performance.

2.3 Internal control system and employee attainment

Besides its functions to make the company perform, the internal system can control the employees. With environmental control as the first part of the internal system, the firm creates them to work with integrity and ethical values (Mom & Kazimoto, 2021), leading them to their performance (Olufunmilayo & Hannah, 2018). Additionally, environmental control focuses on supervision and encourages employees to work appropriately (Wardayati et al., 2019). In the second part, risk valuation enables the company to recognize threats. By detecting them, it can anticipate them. Therefore, its employees can keep working well (Alawaqleh, 2021).

As the third part of the internal control system, control activity provides guidelines

for the employees in the workplace through policy, procedure, and sanction. Employees will perform well if they comply with policy and procedure and avoid sanctions (Jarah et al., 2023). In the fourth part, information and communication become an inseparable ICS feature. It happens because communication gets, provides, and shares information among employees through meetings to complete their duties (Alhawamdeh & Alhawamdeh, 2019). As the final component, the monitoring actions ensure compliance with actual performance and standards and take correction if deviations exist (Hoai et al., 2022). When well conducted, these activities can influence employee attainment (Wardayati et al., 2019). In their study applying a single quantity, Alawaqleh (2021), Mom and Kazimoto (2021), Amira and Permatasari (2022), and Jarah et al. (2023) demonstrate a positive influence of this internal control system on employee performance. Based on this evidence, the third hypothesis formulated is like this:

H_3: Internal control system positively affects employee achievement.

2.4 Research Model

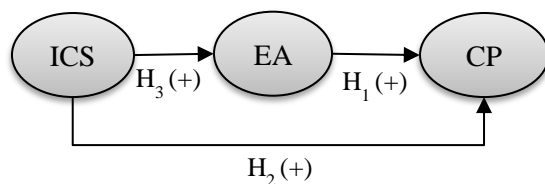Considering these three hypotheses above, the research model is obtainable in Figure 1.

Figure 1. *Research Model*
Note:
ICS = Internal Control System;
EA = employee attainment;
CP = company performance

3. RESEARCH MODEL

3.1 Employed Variables

This study treats the internal control system and employee performance as the determinant and company performance as the determined. By mentioning Hoai et al. (2022), the five dimensions, i.e., (1) control environment, (2) risk valuation, (3) controlling action, (4) information and communication, and (5) monitoring action, with their indicators, measures the internal control system (see Table 1).

Table 1. *The dimensions of the internal control system and its indicator*

Dimension	Symbol	Indicator
Control environment	CE1	This company commits to integrity and ethical values.
	CE2	The supervisory board shows its neutrality to managers and supervises the progress and internal control achievement.
	CE3	With the supervisory board, managers set and arrange the reporting line, authority, and responsibility to meet the goals.
	CE4	This company commits to attracting, developing, and keeping capable employees based on its goals.
	CE5	This company keeps responsible employees to control the internal system.
Risk Valuation	RV1	This company determines the goals to identify and assess the associated risks.

410

Table 1. *The dimensions of the internal control system and its indicator*

Dimension	Symbol	Indicator
	RV2	This company recognizes the risks related to the goals achieved by all entities and analyzes risks to manage them.
	RV3	This company learns potential fraud to evaluate the risk for goal achievement.
	RV4	This company recognizes and evaluates changes influencing the internal control system significantly.
Controlling Action	CA1	This company chooses and develops control activities mitigating risks to achieve goals at adequate levels.
	CA2	This company picks and develops control activities over technology to meet goals.
	CA3	This company organizes controls via policy to set its ideal situation and execute procedures.
Information and communication	IC1	This company gets or creates and uses appropriate and qualified information to support the internal control function.
	IC2	Internal information, especially regarding goals and responsibilities, is always communicated in this company to reinforce internal control functions.
	IC3	Internal control function-related substances are always communicated in this company.
Monitoring action	MA1	This company chooses, develops, and evaluates the internal control function to comply with the standard.
	MA2	The responsible persons in this company, such as senior managers and the supervisory board, perform corrective activities to follow up based on the internal control insufficiency evaluation.

Furthermore, this study uses eight contextual items from Koopmans et al. (2014) to measure employee attainment (EA), as

Table 2 exhibits. Meanwhile, the company performance is used based on Ha et al. (2021) with few modifications. In their study, Ha et al. (2021) employ five indicators: FP1, FP2, FP3, FP4, and FP5. Because the firms in their research sell the goods, Ha et al. (2021) utilize the terminology of sales for FP2 and production costs for FP5, respectively. Our study uses general insurance companies; therefore, these terms do not fit. Instead, we change these terms to revenue from insurance premiums (see CP2 in Table 2) and operating expenses (see CP4 in Table 2). Moreover, two items in Ha et al. (2021), FP1 and FP3, are combined into one indicator in this current study, CP1, to reduce the repetitive statement about profitability achievement. Consequently, our study only employs four items: CP1, CP2, CP3, and CP4 (see Table 2).

Table 2. *The employee attainment and company performance indicators*

Panel A. The indicators of employee attainment		
Symbol	Items	Source
EA1	I am responsible for extra matters.	Koopmans et al. (2014)
EA2	After finishing my previous task, I started doing a new one.	
EA3	I love challenging jobs if they exist.	
EA4	I constantly update my knowledge to work.	
EA5	I regularly update my skills to work.	
EA6	I can solve new problems creatively.	
EA7	I always search for a job challenge.	
EA8	I join the meeting energetically.	
Panel B. The Indicators of Company Performance Attainment		
Symbol	Items	Source
CP1	The increase in return on assets has happened for the prior two years.	Modified from Ha et al. (2021)
CP2	The increase in insurance premiums has occurred for the prior two years.	
CP3	The productivity of the agents has elevated for the prior two years.	
CP4	The operating expenses have dropped for the prior two years.	

3.2 Population and Samples

The population and samples are managers of the general insurance companies in Bandung. Because of their unknown number, this study applies snowball sampling based on the satisfactory relationship between researchers and the associated managers. Through this technique, the known respondents get contacted to join the survey. Then, they are asked to contact their friends or colleagues to participate, as Hartono (2014) explains. Finally, 120 respondents were included as the sample.

3.3 Method to collect the data

This study surveys the managers to collect data. According to Hartono (2014), the survey distributes the questionnaire to respondents. After that, the five-point Likert scale, between 1 and 5, functions to describe the disagreement and agreement responses.

3.4 Method to analyze the data

This study verifies the proposed hypotheses based on the results of the previous study; therefore, the covariance-based structural equation model (CBSEM) application exists, as Ghozali (2021b) clarifies. Two sub-structures appear because of the mediating model, as Equations 1 and 2 exhibit.

$$CP = \beta_1.EA + \gamma_1.ICS + \zeta_1 \text{ (Equation 1)}$$
$$EA = \gamma_2.ICS + \zeta_2 \text{ (Equation 2)}$$

The CBSEM can validate the answer based on the loading factor (LF) and average variance extracted (AVE) for indicators in the first-order construct and indicators and dimensions in the second-order construct. The response is precise if the LF and AVE exceed 0.7 and 0.5, respectively (Ghozali, 2017). Besides, reliability testing is essential to verify the consistent answer based on composite reliability and Cronbach Alpha. The answer is consistent if composite reliability is above 0.7 (Ghozali, 2017), and so is Cronbach Alpha (Ghozali, 2021a).

The subsequent step after the validity and reliability test is detecting the goodness of fit of CBSEM based on the Chi-Square divided by the degree of freedom (CMIN/DF), incremental fit index (IFI), and root mean square error approximation (RMSEA).

Furthermore, this study uses the parsimony goodness of fit index, normed fit index, and comparative fit index (PGFI, PNFI, and PCFI) as the other measurements. Moreover, their required cut-off values are in Table 3.

Table 3. *The goodness of fit measurement for CBSEM and the required value*

Measurement	The required value
CMIN/DF	Below 2 (Hair Jr. et al., 2019)
IFI	Upper than 0.9 (Hu & Bentler, 1999)
RMSEA	Less than 0.8 (Dash & Paul, 2021)
PGFI	Above 0.5 (Dash & Paul, 2021)
PNFI	Above 0.5 (Dash & Paul, 2021)
PCFI	Above 0.5 (Dash & Paul, 2021)

Moreover, this study utilizes the probability (1-tailed) of the critical ratio for β_1, γ_1, and γ_2 to verify hypotheses one, two, and three. If this probability is less than the 5% significance level (α), the acceptance of the hypothesis exists (Ghozali, 2017). Finally, this study performs the Sobel test, as Ghozali (2017) and Sahabuddin and Hadianto (2023) exhibit, by associating the Z-statistical probability (2-tailed) with the same level to check the mediation effect of employee achievement. This effect appears when this probability is less than this level.

4. RESULT AND DISCUSSION

4.1 Respondent Profiles

Between May and October 2023, this survey acquired 120 respondents, whose features are in Table 4. Most respondents are male (87.50%) and between 41 and 50 (51.67%) based on gender and age, respectively. Based on the company origin, 15 general insurance firms exist, and the respondents predominantly come from Jasa Indonesia Insurance Company (16.67%).

Table 4. The features of respondents joining the survey

Feature	Description	Total	Percentage
Gender	Male	105	87.50%
	Female	15	12.50%
Age	From 31 to 40	52	43.33%

Table 4. The features of respondents joining the survey

Feature	Description	Total	Percentage
	From 41 to 50	62	51.67%
	From 51 to 55	6	5.00%
The name of the general insurance company	Candi Utama Insurance	6	5.00%
	Harta Aman Pratama Insurance	10	8.33%
	Total Bersama Insurance	6	5.00%
	Mega General Insurance	5	4.17%
	Cakrawala Proteksi Indonesia Insurance	10	8.33%
	Rama Satria Wibawa Insurance	15	12.50%
	Sahabat Insurance	6	5.00%
	Avrist General Insurance	6	5.00%
	Jasa Indonesia Insurance	20	16.67%
	Intra-Asia Insurance	6	5.00%
	Tokio Marine Life Insurance Indonesia	5	4.17%
	Mitra Pelindung Mustika Insurance	5	4.17%
	Buana Independent Insurance	10	8.33%
	Pan Pacific Insurance	5	4.17%
	MAG Insurance	5	4.17%

4.2 Validity and Reliability Testing Result

Table 5 illustrates the loading factor (LF), AVE, and composite reliability for dimensions of the internal control system and their indicators. For validity testing, the LF for CE, RV, CA, IC, and MA exceeds 0.7: 0.855, 0.974, 0.966, 0.731, 0.967, supported by LF from CE1 to CE5 above 0.7: 0.753, 0.837, 0.767, 0.719 and 0.721, RV1 to RV4

exceeding 0.7: 0.841, 0.717, 0.808, and 0.759, CA1 to CA3: 0.750, 0.730, and 0.772, IC1 to IC3: 0.832, 0.773, and 0.787, and MA1 to MA2: 0.809 and 0.810. Therefore, the dimensions and their indicators have accurate answers, reinforced by AVE for ICS, EC, RV, CA, IC, and MA greater than 0.5: 0.816, 0.579, 0.613, 0.564, 0.636, and 0.655. For reliability testing, its composite value is more significant than 0.7 for ICS: 0.957, for CE: 0.872, for RV: 0.863, for CA: 0.795, for IC: 0.840, and for MA: 0.792. Hence, the ICS and its dimensions contain reliable answers. Also, Cronbach Alpha is above 0.7: 0.994 for ICS, 0.866 for EC, 0.861 for RV, 0.791 for CA, 0.838 for IC, and 0.790 for MA, supporting this situation.

Table 5. Loading factor (LF), AVE, composite reliability, and Cronbach Alpha for internal control system

Panel A. The dimension of the internal control system				
Code	LF	AVE	Composite Reliability	Cronbach Alpha
CE	0.855	0.816	0.957	0.994
RV	0.974			
CA	0.966			
IC	0.731			
MA	0.967			
Panel B. The indicators of control environment				
Code	LF	AVE	Composite Reliability	Cronbach Alpha
CE1	0.753	0.579	0.872	0.866
CE2	0.837			
CE3	0.767			
CE4	0.719			
CE5	0.721			
Panel C. The indicators of risk valuation				
Code	LF	AVE	Composite Reliability	Cronbach Alpha
RV1	0.841	0.613	0.863	0.861
RV2	0.717			
RV3	0.808			
RV4	0.759			
Panel D. The indicators of controlling action				
Code	LF	AVE	Composite Reliability	Cronbach Alpha
CA1	0.750	0.564	0.795	0.791
CA2	0.730			
CA3	0.772			
Panel E. The indicators of information and communication				

Table 5. Loading factor (LF), AVE, composite reliability, and Cronbach Alpha for internal control system

Code	LF	AVE	Composite Reliability	Cronbach Alpha
IC1	0.832	0.636	0.840	0.838
IC2	0.773			
IC3	0.787			
Panel F. The indicator of monitoring action				
Code	LF	AVE	Composite Reliability	Cronbach Alpha
MA1	0.809	0.655	0.792	0.790
MA2	0.810			

Table 6 exhibits the loading factor (LF), AVE, and composite reliability for employee achievement (EA) and company performance (CP). For validity examination, the LF is more extensive than 0.7 for EA1 to EA8, i.e., 0.887, 0.891, 0.830, 0.869, 0.808, 0.894, 0.893, and 0.839, and for CP1 to CP4: 0.812, 0.861, 0.873, and 0.838. Thus, precise responses exist, confirmed by AVE above 0.5: 0.747 for EA and 0.716 for CP. For reliability testing, the composite value is beyond 0.7 for EA and CP, i.e., 0.959 and 0.910. Hence, consistent responses happen, as verified by the Cronbach Alpha superior to 0.7 for EA and CP, i.e., 0.960 and 0.908.

Table 6. Loading factor (LF), AVE, composite reliability, and Cronbach Alpha for employee achievement and company performance

Panel A. The indicators of employee achievement				
Code	LF	AVE	Composite Reliability	Cronbach Alpha
EA1	0.887	0.747	0.959	0.960
EA2	0.891			
EA3	0.830			
EA4	0.869			
EA5	0.808			
EA6	0.894			
EA7	0.893			
EA8	0.839			
Panel B. The indicators of company performance				
Code	LF	AVE	Composite Reliability	Cronbach Alpha
CP1	0.812	0.716	0.910	0.908
CP2	0.861			

Table 6. Loading factor (LF), AVE, composite reliability, and Cronbach Alpha for employee achievement and company performance

CP3	0.873		
CP4	0.838		

Table 7 displays the goodness of fit measurement result before estimating the covariance-based structural equation model, i.e., CMIN/DF of 1.742, IFI of 0.903, RMSEA of 0.079, PGFI of 0.630, PNFI of 0.729, and PCFI of 0.821. The empirical data fits the proposed model because these values meet the required points.

Table 7. The goodness of fit measurement result

Measure	Result	Required point	Description
CMIN/DF	1.742	Below 2 (Hair Jr. et al., 2019)	CDMIN/DF, IFI, RMSEA, PGFI, PNFI, and PCFI are at the acceptable required point; therefore, the data are suitable for the CBSEM.
IFI	0.903	Upper than 0.9 (Hu & Bentler, 1999)	
RMSEA	0.079	Less than 0.8 (Dash & Paul, 2021)	
PGFI	0.630	Above 0.5 (Dash & Paul, 2021)	
PNFI	0.729	Above 0.5 (Dash & Paul, 2021)	
PCFI	0.821	Above 0.5 (Dash & Paul, 2021)	

4.3 The structural equation model estimation result

Table 8 displays the structural equation model estimation result with probability (1-tailed) of the critical ratio for the influence of EA and ICS on CP of *** and 0.033, one-to-one with an R-square of 0.682. For the impact of ICS on EP, the probability (1-tailed) is *** with an R-square of 0.133. These probabilities are lower than a 5% significance level; therefore, hypotheses one, two, and three are tolerable: (1) The positive effect of EA and ICS on CP exists, and (2) ICS positively affects EA.

Table 8. The structural equation model estimation result

Hypothesis	Direction	Path Coefficient	Critical Ratio	Probability 2-tailed	Probability 1-tailed	R-square
1	EA → CP	0.747	8.568	***	***	0.682
2	ICS → CP	0.168	1.835	0.066	0.033	
3	ICS → EA	0.493	3.652	***	***	0.133

Table 9 displays the mediating effect testing result of employee achievement with Sobel and its probability (2-tailed) of Z-statistic of 0.002, below the 5% significance level, strengthened by the indirect effect from the multiplication between path coefficients, i.e., 0.368, higher than the direct impact of ICS → CP of 0.168 (see Table 8).

Table 9. The verification result of employee achievement as the mediating impact

Mediating path	Indirect effect	Standard error of Sobel	Z-statistic	Probability (2-tailed)
ICS → EA → CP	0.368	0.110	3.341	0.002

4.4 Discussion

From the first statistical hypothesis testing, this study displays that employee attainment positively influences company performance. This situation aligns with Valentine et al. (2020), who declare that the firm achievement of objectives and goals depends on employee support to give the best effort. Furthermore, based on this fact, this study confirms the Indonesian researchers, such as Tarmidi and Arsjah (2019) after investigating 100 taxi drivers as their sample in Jakarta and Handayani et al. (2020) after studying 70 managers in INKA Multi Solutions, Inc. Equally, Nyathi and Kekwaletswe (2022) with 325 employees from 35 South African firms adopting e-HRM confirm this tendency. Also, this study confirms Wanigasekara and Mendis (2021) with Sri Lankan firm data between 2015 and

2019 from 25 manufacturing companies and 25 firms in the service industry.

From the second statistical hypothesis testing, this study displays that the internal control system positively influences company performance. This situation indicates that company performance depends on an internal control system based on (1) environment, (2) risk valuation, (3) action, (4) information and communication (IC), and (5) monitoring. Based on this proof, this study aligns with Hanoon et al. (2021), indicating that all five components of the internal control system positively affect the performance of 77 banks in Iraq based on the perspective of 365 people, including the chief executive officers, chief financial officers, accountants, auditors, and audit committee members. Besides, this study supports Pangaribuan et al. (2022) when investigating the positive effect of five components of ICS on nine manufacturing companies in Indonesia based on 67 people. Finally, this study affirms Zhang and Su (2023) after researching the association between the internal control index and the financial performance of the listed companies with A-shares in China between 2012 and 2019.

From the third statistical hypothesis testing, this study exhibits that the internal control system positively affects employee achievement. This condition means that ICS effectively makes employees perform in the workplace. Based on this evidence, this study supports Alawaqleh (2021), investigating 203 small and medium entrepreneurs in Jordan and Mom and Kazimoto (2021) based on the perception of 39 full-time employees at Asia-Pacific International University in Thailand. Also, this positive tendency supports Amira and Permatasari (2022) after researching 45 employees of the accounting and finance department in a sugar factory in Malang Regency, Indonesia, and Jarah et al. (2023), studying 92 employees from the branches of Islamic banks in Jordan.

This research finds the mediating effect of employee achievement on the association between internal control and firm performance. The better the ICS, the better employee achievement, leading to superior company performance. In other words, ICS is the primary driver that creates employees and companies that perform well. As a practical implication, this study suggests that general insurance firms must apply an internal control system by applying the control environment, risk valuation, controlling actions, information and communication, and monitoring activities.

5. CONCLUSION

Using the insights of 150 employees from 15 general insurance companies in Bandung, West Java, Indonesia, this research underlines the positive influence of employee achievement and an internal control system on company performance. This positive inclination also exists in the association between this internal control system and employee achievement. Furthermore, this research reveals that employee achievement mediates the relationship between this internal control system and company performance.

This study has limitations. The first is the single city location: Bandung. Thus, the subsequent researchers must reach other bulky cities in Indonesia, like Jakarta, Surabaya, Medan, Bekasi, Tangerang, Depok, and Palembang, to get better outcomes. Another limitation is one determinant of employee achievement, i.e., an internal control system. Hence, the ensuing scholars can utilize employee engagement and organizational culture to handle this issue.

6. REFERENCES

Alawaqleh, Q. A. (2021). The effect of internal control on employee performance of small and medium-sized enterprises in Jordan: The role of accounting information system. *Journal of Asian Finance, Economics, and Business*, *8*(3), 855–863. https://doi.org/10.13106/jafeb.2021.vol8.no3.0855

Alhawamdeh, Z. M., & Alhawamdeh, M. M. (2019). The role of internal control in raising employee productivity in Jordanian bank. *European Journal of Business and Management Research*, *4*(4), 1–5. https://doi.org/10.24018/ejbmr.2019.4.4.62

Amira, A., & Permatasari, D. (2022). The influence of internal and organizational control on employee performance with accounting information systems as the intervening. *El Muhasaba: Jurnal Akuntansi*, *13*(2), 148–160.

https://doi.org/10.18860/em.v13i2.15590

Ashiagbor, A. A., Ayamga, A. T., & Adzagbre, C. K. (2020). Internal control systems and performance of life insurers: Ghanaian case. *Research Journal of Finance and Accounting*, *11*(18), 92–100. https://doi.org/10.7176/rjfa/11-18-11

Dash, G., & Paul, J. (2021). CB-SEM vs. PLS-SEM methods for research in social sciences and technology forecasting. *Technological Forecasting and Social Change*, *173*, 121092. https://doi.org/10.1016/j.techfore.2021.121092

General Insurance Association of Indonesia. (2023). *General insurance and Reinsurance in 2022*. https://aaui.or.id/wp-content/uploads/2023/08/ASUM-REAS-2022_PUBLIC.pdf

Ghozali, I. (2017). *Structural Equation Modelling: Concepts and Their Application by AMOS 24* (7th ed.). Badan Penerbit Universitas Diponegoro.

Ghozali, I. (2021a). *Multivariate Analysis Application by IBM SPSS 26* (10th ed.). Badan Penerbit Universitas Diponegoro.

Ghozali, I. (2021b). *Structural Equation Modeling with Alternative Method of Partial Least Square* (5th ed.). Badan Penerbit Universitas Diponegoro.

Gitman, L. J., & Zutter, C. J. (2015). *Principles of Managerial Finance* (14th ed.). Pearson Education, Inc.

Ha, S. T., Lo, M. C., Suaidi, M. K., Mohamad, A. A., & Razak, Z. B. (2021). Knowledge management process, entrepreneurial orientation, and performance in SMEs: Evidence from an emerging economy. *Sustainability (Switzerland)*, *13*(17), 9791. https://doi.org/10.3390/su13179791

Hair Jr., J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate Data Analysis* (8th ed.). Cengage Learning, EMEA.

Handayani, W. P. P., Pitoyo, D. J., & Harsono, M. (2020). The relationship between training and development strategies, employee, and organizational performance. *Sebelas Maret Business Review*, *5*(2), 56–63. https://doi.org/10.20961/smbr.v5i2.461

22

Hanoon, R. N., Khalid, A. A., Rapani, N. H. A., Aljajawy, T. M., & Al-Waeli, A. J. (2021). The impact of internal control components on the financial performance in the Iraqi banking sector. *Journal of Contemporary Issues in Business and Government*, *27*(3), 2571–2529. https://doi.org/10.47750/cibg.2021.27.03.303

Hartono, J. (2014). *Business Research Methodology: Misunderstandings and Experiences* (6th ed.). Badan Penerbit Fakultas Ekonomi Universitas Gadjah Mada.

Hazzaa, O. T., Abdullah, D. F., & Aldhahebi, A. (2022). Reviewing the role of corporate governance and internal control systems in firms' financial performance. *Asian Journal of Accounting Perspectives*, *15*(1), 1–28. https://doi.org/10.22452/AJAP.vol15no1.1

Hoai, T. T., Hung, B. Q., & Nguyen, N. P. (2022). The impact of internal control systems on the intensity of innovation and organizational performance of public sector organizations in Vietnam: The moderating role of transformational leadership. *Heliyon*, *8*(2), e08954. https://doi.org/10.1016/j.heliyon.2022.e08954

Hu, L. T., & Bentler, P. M. (1999). Cut-off criteria for fit indexes in covariance structure analysis: Conventional criteria versus new alternatives. *Structural Equation Modeling*, *6*(1), 1–55. https://doi.org/10.1080/10705519909540118

Jackson, S. E., Schuler, R. S., & Werner, S. (2017). *Managing Human Resources* (12th ed.). Oxford University Press.

Jarah, B. A. F., Zaqeeba, N., Al-Jarrah, M. F. M., Badarin, A. M. Al, & Almatarneh, Z. (2023). The mediating effect of the internal control system on the relationship between the accounting information system and employee performance in Jordan Islamic banks. *Economies*, *11*, 77. https://doi.org/10.3390/economies11030077

Jatmiko, B., & Gusmayanti, D. (2022). The effect of the internal control system,

leadership style, organizational culture, organizational commitment, and good government governance on the performance of the local government. *Kinerja*, *26*(2), 289–305. https://doi.org/10.24002/kinerja.v26i2.6115

Koopmans, L., Bernaards, C. M., Hildebrandt, V. H., De Vet, H. C. W., & Van Der Beek, A. J. (2014). Construct validity of the individual work performance questionnaire. *Journal of Occupational and Environmental Medicine*, *56*(3), 331–337. https://doi.org/10.1097/JOM.0000000000000113

Li, X. (2018). What is HR Management? – Based on the matching of people and posts. *Journal of Human Resource and Sustainability Studies*, *6*, 211–223. https://doi.org/10.4236/jhrss.2018.63038

Liu, C., Lin, B., & Shu, W. (2017). Employee quality, monitoring environment, and internal control. *China Journal of Accounting Research*, *10*(1), 51–70. https://doi.org/10.1016/j.cjar.2016.12.002

Mom, R., & Kazimoto, P. (2021). The effectiveness of internal control systems and perception of employee work performance: A case of Asia-Pacific international university. *St. Theresa Journal of Humanities and Social Sciences*, *7*(2), 180–204. https://journal.stic.ac.th/index.php/sjhs/article/view/379

Nyathi, M., & Kekwaletswe, R. (2022). Realizing employee and organizational performance gains through electronic human resource management use in developing countries. *African Journal of Economic and Management Studies*, *14*(1), 121–134. https://doi.org/10.1108/AJEMS-11-2021-0489

Odunko, S. N. (2022). Internal control and firm performance: Evidence from the selected firms in Nigeria. *International Journal of Innovative Finance and Economics Research*, *10*(1), 68–80. https://seahipaj.org/journals-ci/mar-2022/IJIFER/full/IJIFER-M-6-2022.pdf

Olufunmilayo, A. A., & Hannah, O. O. (2018). Effect of internal control system on employee performance of small-scale manufacturing enterprises in Ondo state, Nigeria. *Human Resource Research*, *2*(1), 48–60. https://doi.org/10.5296/hrr.v2i1.13016

Otoo, I. C., Asumah, S., Peprah-Amankona, G., & Andzie, A. T. (2021). The impact of internal control systems on performance of universal banks: Evidence from Ghana. *Journal of Financial Risk Management*, *10*(4), 473–486. https://doi.org/10.4236/jfrm.2021.104025

Pangaribuan, H., Sihombing, J., Sunarsi, D., & Manurung, D. T. H. (2022). The internal control effort in improving company performance. *Kontigensi: Scientific Journal of Management*, *10*(1), 161–167. https://doi.org/10.56457/jimk.v10i1.267

Rejikumar, G., Sreedharan V, R., & Saha, R. (2021). An integrated framework for service quality, choice overload, customer involvement, and satisfaction: Evidence from India's non-life insurance sector. *Management Decision*, *59*(4), 801–828. https://doi.org/10.1108/MD-12-2018-1354

Sahabuddin, Z. A., & Hadianto, B. (2023). Gender, financial literacy, and financial behavior among students. *Humanities and Social Sciences Letters*, *11*(2), 203–212. https://doi.org/10.18488/73.v11i2.3367

Shmailan, A. S. Bin. (2016). The relationship between job satisfaction, job performance, and employee engagement: An explorative study. *Issues in Business Management and Economics*, *4*(1), 1–8. https://doi.org/10.15739/IBME.16.001

Tam, N. T., & Tuan, L. A. (2021). The impact of internal control on the performance of small and medium-sized enterprises in an emerging economy. *Asia-Pacific Management Accounting Journal*, *16*(2), 367–389. https://doi.org/10.24191/apmaj.v16i2-13

Tarmidi, D., & Arsjah, R. J. (2019). Employee and organizational performance: Impact of employee internal and external factors, moderated by online

application. *Journal of Resources Development and Management*, *57*, 30–37. https://doi.org/10.7176/jrdm/57-04

Tetteh, L. A., Kwarteng, A., Aveh, F. K., Dadzie, S. A., & Asante-Darko, D. (2022). The impact of internal control systems on corporate performance among listed firms in Ghana: The moderating role of information technology. *Journal of African Business*, *23*(1), 104–125. https://doi.org/10.1080/15228916.2020.1826851

Tran, Q. T., Nguyen, K. T., & Le, X. T. (2021). Factors affecting the quality of internal control: A case study of listed banks in Vietnam. *Journal of Asian Finance, Economics, and Business*, *8*(5), 375–380. https://doi.org/10.13106/jafeb.2021.vol8.no5.0375

Tri, H. T., Tran, P. T. K., & Huu, T. N. (2020). Assessing factors affecting the effectiveness of internal control systems in construction enterprises in the Ba Ria-Vung Tau Province, Vietnam. *Institutions and Economies*, *12*(4), 3–25. https://ijie.um.edu.my/index.php/ijie/article/view/26885

Valentine, S. R., Meglich, P., Mathis, R. R., & Jackson, J. H. (2020). *Human Resource Management* (16th ed.). Cengage Learning.

Vu, Q., & Nga, N. T. T. (2022). Does the implementation of internal controls promote firm profitability? Evidence from private Vietnamese small and medium-sized enterprises (SMEs). *Finance Research Letters*, *45*, 102178. https://doi.org/10.1016/j.frl.2021.102178

Wanigasekara, W. A. D. K. J., & Mendis, M. O. S. (2021). Relationship between employee productivity and firm's profitability from shareholders' and firm's perspectives: A comparative study. *Sri Lanka Journal of Business Studies and Finance*, *1*(1), 38–49. https://fbsf.wyb.ac.lk/wp-content/uploads/2021/11/Article-03-I.pdf

Wardayati, S. M., Miqdad, M., Efendi, H. I., & Arisandy, F. N. (2019). Performance improvement through internal control, experience, and individual rank. *Journal of Contemporary Accounting*, *1*(2), 107–119. https://doi.org/10.20885/jca.vol1.iss2.art4

Wheelen, T. L., Hunger, J. D., Hoffman, A. N., & Bamford, C. E. (2018). *Concepts in Strategic Management and Business Policy: Globalization, Innovation, and Sustainability* (15th ed.). Pearson Education Limited.

Zhang, L., & Su, W. (2023). Corporate social responsibility, internal control, and firm financial performance. *Frontiers in Psychology*, *13*, 977996. https://doi.org/10.3389/fpsyg.2022.977996