

# **The Effect of Organizational Culture, Leadership Style, and Functional Position on Organizational Commitment and Their Impact on the Performance of Internal Auditors in Aceh, Indonesia**

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## **Abstract**

This study aims at empirically examining the influence of the organizational culture, leadership style, and functional position of an auditor on organizational commitment and their impact on the performance of government internal auditors in Aceh, Indonesia. All 183 of the governmental internal auditors at the district level within the Province of Aceh, Indonesia, were investigated. Data, which are gathered by distributing questionnaires to the entire population, are then analysed by the Structural Equation Modelling (SEM) technique. The study found that organizational culture, leadership style, and functional auditor have affected the performance of the governmental internal auditor either directly or indirectly through organizational commitment.

**Keywords:** Organizational Culture, Leadership Style, Functional Auditor, Organizational Commitment, Internal Auditor Performance.

## **1. Introduction**

The performance of Indonesian civil servants has been the concern of the people due to the lack of capacity and accountability of the bureaucracy, which is subject to many complaints from members of the public. Based on the government effectiveness assessment conducted by the World Bank, Indonesia recorded a relatively low score ranging from -0.43 and -0.29, where the lowest is -2.5 and the highest is 2.5. The scores obtained by Indonesia were far behind from those obtained by neighbouring countries. This situation suggests that there are still problems in the public organizational performance, such as the low quality of bureaucracy public service, and lack of competency of government officials (Appendix of Presidential Regulation No. 80/2010).

The evidences of low level of bureaucracy performance are also evident from the survey of government performance accountability conducted by the Ministry of State Apparatus and Bureaucratic Reform of the Republic of Indonesia in 2014. The survey found that none of the cities or municipalities in the Province of Aceh obtained a very satisfactory score (AA), very good score (A) or good score (B). These evidences suggest that the performance of the local government has been ineffective. This could be due to the incompetency of the government officers, which lead to their lower level of performance.

The staff performance, according to Mathis and Jackson (2001), is influenced by factors of (a) individual capacity, (b) motivation, (c) given support, (d) the job they perform, and (e) their relationships to the organization. Furthermore, Mathis and Jackson (2001) explained that the relationship between the staff and the organization as an organizational commitment is defined as a

level where staff members are convinced to accept the organization objective, and have intentions to stay in the organization. In fact, organizational commitment significantly correlates to staff performance (Suliman, 2002). However, the phenomenon at the local government in Aceh shows that the internal auditors tend to resign from their current posts and prefer to be transferred to other organizations if they are offered promotion in the new post. It shows that their intention to leave the organization is influenced by the commitment for the organization, where the lower level of the organizational commitment leads to the higher level of their intention to leave the organization.

In their study, Denison and Mishra (1995) concluded that organizational culture is apparently an effective strategy for the management to improve staff performance. For the Government Internal Auditors (GIA), the Ethic Codes of GIA are the guidelines used in working to give the GIA good reputation and gain public trust (Training and Education Centre of Finance and Development Supervisory Agency, 2008). In the implementation of audits, the presence of a leader is mandatory for the auditors. It is preferred a leader who is able to create positive relationships with the auditors, build trust between him and the auditors, respect auditors' recommendations, and build friendly communication with them. Therefore, the leadership style of a leader could influence the staff commitment and performance.

Based on the above discussion, this study is motivated to find out:

- (1) the influence of organizational culture, leadership style and functional position of an auditor on the organizational commitment of an internal auditor;
- (2) the direct influence of organizational culture, leadership style, functional position of an auditor, and organizational commitment on the internal auditor performance;
- (3) the indirect influence of organizational culture, leadership style, and functional position of an auditor through the organizational commitment on the internal auditor performance. The results of this study are expected to contribute to the theory of auditing with the emphasis on behaviour in auditing, and become a consideration for the local Inspectorate in the Province of Aceh regarding the factors which influence the organizational commitment of an auditor in order to improve the organization performance.

Thus, this study is aimed at empirically examining the influences of organizational culture, leadership style, and functional position of an auditor on the organizational commitment, and their impact on the performance of internal governmental auditors. The rest of the study is organized as follows: Section 2 reviews the selected literature concerning the performance of the internal auditor of the local government on which the hypothesis are constructed. Section 3 discusses the research method used to address the research questions. Section 4 provides discussions of the research findings. Lastly, Section 5 concludes the paper and provides the recommendation for further research.

## **2. Review of selected previous studies and hypothesis development**

### *2.1. The Effect of Organizational Culture on Organizational Commitment*

According to Luthans (2006:47), organizational culture is “norms and values contributing to organization members' behaviour. Each member of an organization behaves based on the prevailing culture so that the member can blend it with the organization environment”. Meanwhile, commitment shows trust and strong support for values and goals to be achieved by an organization (Mowday et al., 1979). Robbins and Judge (2008:262) listed some functions of organizational culture, one of which is “a culture which can help build commitment on something more important than individual interest”.

A study by Lok and Crawford (2004) found some influences of organizational culture on the organizational commitment, which was in line with the results of a research by Boon and Arumugam (2006) which showed that four dimensions of organizational culture, i.e. team work, communication, rewards and recognition, and training and development, positively related with staff commitment for an

organization. Similar results were also found by Manetje and Martins (2009), who say that organizational culture influenced individual commitment for an organization. Furthermore, Marganingsih and Martini (2010) concluded that organizational culture was an antecedent of organizational commitment. Thus, based on the above explanation, the first hypothesis of the study can be constructed as follows:

**H1: Organizational culture affects organizational commitment.**

### *2.2. The Effect of the Leadership Style on Organizational Commitment*

The leadership style is an approach by which a leader influences his employees in a way which makes them willing to do what their leader suggests to achieve the organizational goals regardless of their preferences (Luthans, 2006). Meanwhile, organizational commitment is a condition in which members of an organization are bound by their actions and belief, which maintain their activities and involvement in the organization (Miller and Lee, 2001).

Lok and Crawford (2004) explored the influence of the leadership style on the satisfactory work and on the organizational commitment of managers in Australia and Hong Kong. Their studies proved that the leadership style positively influenced the satisfactory work and commitment of the combined samples, and the leadership style strongly influenced the commitment of managers in Australia and Hong Kong. Thus, based on the above explanation, the second hypothesis of the study can be constructed as follows:

**H2: The leadership style affects the organizational commitment**

### *2.3. The Effect of the Functional Auditor on the Organizational Commitment*

The functional position of the auditor in the local district or municipality of the Inspectorate office is a position with ranks. A manager has more commitment to where he works and to his profession compared to his subordinates. The higher the positions of a person in an organization, the more self-actualized and intrinsic, as well as extrinsic, their work performance is (Aranya and Ferris, 1984). The satisfactory work performance is also influenced by the function and position of a staff member in an organization, which suggests that an employee who has a higher position is more satisfied with his job because he has higher autonomy, more varied work, and freedom to assess (Basset, 1994). This is in line with the research results by Cahyono and Ghozali (2002) according to which position positively influences the satisfactory working performance and the organizational commitment. Thus, based on the above explanation, the third hypothesis of the study can be constructed as follows:

**H3: The functional position of an auditor affects the organizational commitment**

### *2.4. The Effect of Organizational Culture on the Internal Auditor Performance*

Organizational culture is a habit which has long existed and has been applied in working activities as a motivation to improve the quality of the work performed by staff members (Fahmi, 2013). If an organization applies a strong habit, the effectiveness of the organization is improved. Organizational culture refers to a shared system followed by members of an organization, which distinguishes that organization from others. A strong organizational culture is able to motivate better organization development (Robbins and Judge, 2008:256). A research conducted by Suliman (2002) and Hanna & Firnanti (2013) showed that there was a positive effect of the organizational culture on the auditor performance. Thus, based on the above explanation, the fourth hypothesis of the study can be constructed as follows:

**H4: The organizational culture affects the internal auditor performance.**

### *2.5. The Effect of the Leadership Style on the Internal Auditor Performance*

The leadership style of a manager influences the productivity of the employees (Goleman, 2000). The results of the research conducted by Alberto et al. (2005) showed that the leadership style positively influenced their working performance and their learning experiences. These results suggest that the leadership style influences employee's performance and it also brings lessons to the employees. It is in line with the results of the research conducted by Trisnaningsih (2007), who concluded that the leadership style gives impact to the auditor performance; however, organizational commitment is not an intervening variable for the leadership style towards the auditor performance.

The leadership style influences the auditor's creativeness in working. The leadership style of an employer influences auditors' behaviour (Marganingsih & Martini, 2010). These empirical results were also supported by Atarwaman (2011), Hanna and Firnanti (2013) who stated that the leadership style positively correlates to the auditor performance. Thus, based on the above explanation, the first hypothesis of the study can be developed as follows:

**H5: The leadership style affects the internal auditor performance**

### *2.6. The Effect of the Functional Position of an Auditor on the Internal Auditor Performance*

The auditor functional position is a functional position at the District/Municipality Inspectorate, which is expected to be performed with responsibility, contributing to satisfactory performance achievement. Auditors with functional position are expected to perform their professional duties through guidance, professional development, education, and training, which are structured, gradual, and sustainable. Professional development is also based on competence (skills and capacity), as stipulated in the Regulation of the Ministry of State Apparatus and Bureaucratic Reform Number 51 of 2012.

A research related to organizational positions was conducted by Rohman (2009) who concluded that the higher the position of an internal auditor, the more his position influences his work. The result of this research supported another research conducted by Basset (1994), proving that satisfactory work resulted from the function and position of an employee in an organization, suggesting that an employee with higher position tends to be more satisfied with his work. This is also in line with a research conducted by Cahyono and Ghozali (2002), stating that position positively influences satisfactory work performance. Thus, based on the above explanation, the sixth hypothesis of the study can be constructed as follows:

**H6: The functional auditor position affects the internal auditor's performance.**

### *2.7. The Effect of Organizational Commitment on Internal Auditor's Performance*

Organizational commitment is an attitude displaying the "loyalty" of an employee and it is a continuing process through which a member of an organization expresses his attention to the success of the organization (Luthans, 2006). Mowday et al. (1982) stated that an employee who is highly committed to his organization is also more motivated to get involved and put efforts to achieve the goal of the organization. The results of a research by Winardi (2002) showed that organizational commitment positively influences employees. This result is consistent with previous studies conducted by Suliman (2002), Marganingsih and Martini (2010), and Atawarman (2011). Thus, based on the above explanation, the seventh hypothesis of the study can be constructed as follows:

**H7: Organizational commitment affects the internal auditor's performance**

### *2.8. The Indirect Effect of the Organizational Culture, Leadership Style and Functional Position of an Auditor through Organizational Commitment on the Internal Auditor's Performance*

Organizational culture could influence the organization's achievement either positively or negatively (Gibson et al. 1996:42). A leader can build commitment to motivate change three related activities, i.e. clarifying the aim of a strategy, building the organization and organizational culture (Robbins, 2006:294). Trisnaningsih (2007) suggested that organizational commitment indirectly mediates the relationship between organizational culture and auditor performance. Furthermore, according to Marganingsih and Martini (2010), organizational culture is an antecedent of organizational commitment and organizational commitment positively correlates to the auditor performance.

In addition, an employer is recommended to implement a certain leadership style in leading his subordinates as an effort to influence their attitude and mindset, leading to motivating and improved working spirit which can increase their working performance. Avolio et al. (2004) tested psychological empowerment as a mediation for transformational leadership relation to organizational commitment. They tested the structural distance (both direct and indirect relationship) between employers as a moderating variable between transformational leadership and organizational commitment. The results of the analysis showed that psychological empowerment mediates the relationship between transformational leadership and organizational commitment in the same way as the structural distance mediates the relationship between transformational leadership and organizational commitment.

In the District/Municipality Inspectorate, the functional position of an auditor is a functional position to perform duties as an auditor, to be responsible and to exercise rights, which shows satisfactory working achievement. One of the aspects influencing working performance is organizational commitment (Veithzal and Ahmad, 2005:18). Employee's intention to work in an organization, which is based on an individual identification level and a shared goal is an affective commitment proposed by Allen and Meyer (1990). An affective commitment is a part of the organizational commitment. Organizational commitment is an BRAND essential aspect for an internal auditor, leading to improved performance through the auditor functional position. The result of a research conducted by Cahyono and Ghozali (2002) showed that a higher position in an organization gives positive influence on satisfactory working performance and organizational commitment for a public accountant working at Public Accounting Firms. Thus, based on the above explanation, the eighth hypothesis of the study can be constructed as follows:

**H8: The organizational culture, leadership style, and functional position of an auditor affect the internal auditor's performance through organizational commitment.**

### **3. Research method**

This study employed the quantitative approach to examine the proposed hypothesis. The population of the research was all auditors at 21 out of 23-district government internal auditors in Aceh province, Indonesia. The population size is of 183 auditors. A survey was given to the whole population because the population size is rather small and its characteristics were different across location, culture, leadership style, amount of allowance and other factors which differentiate population characteristics. Since the study uses the census technique, no statistical significant test for the hypothesis was conducted. This study used Likert scale and Structural Equation Modelling (SEM) to analyze models through Analysis of Moment Structure (AMOS) program.

Table 3.1. Operationalization of the Variables and their Measurements

Variable	Indicator	Scale of Measurement
Auditor performance (Endogenous Variable)	Ability, knowledge and experience (Kalbers and Forgatty, 1995, Larkin, 1990)	Interval
Organizational commitment (Intervening Variable)	Affective Commitment, Continuance Commitment, Normative Commitment (Allen and Meyer, 1990)	Interval
Organizational culture (Exogenous Variable)	Integrity, objectivity, and confidentiality (Ethical Code, 04/2008)	Interval
Leadership style (Exogenous Variable)	Transformational leadership style, transactional leadership style (Bass, 1985) Avolio & Bass (1995).	Interval
Auditor Functional Position (Exogenous Variable)	Tenure and Grade, role in duty, compensation. (Ministry of Administrative Reform and Bureaucratic regulation No.PER/220/M.PAN/7/2008	Interval

This study tested the hypothesis to find out the influence of exogenous variables through a mediating variable on endogenous variable, both directly and indirectly. The tested exogenous variables were the organizational culture (X1), leadership style (X2), and auditor functional position (X3) on organizational commitment (Y) as a mediating variable, and their impact on internal auditor's performance (Z) as the endogenous variable. Table 3.1 provides the operationalization of the variables and their measurements.

This research was a field research conducted to test the relationships among variables in natural condition. The analysis units for this research were internal auditors at all District/Municipality GIA in the Province of Aceh.

#### 4. Empirical findings and discussions

##### 4.1. Evaluation for Criteria of Goodness of Fit

Goodness of fit is a statistical tool in the structural equation modelling (SEM) used to explain the predicted strength of a model through some measurements, which can be used at the same time, and in combination. The evaluation result for the criteria of goodness of fit is presented below, in Table 4.1.

Table 4.1. Criteria of Goodness of Fit Measurement Models

Criteria of Measurement Index	Cut-off Value	Analysis Results	Evaluation Model
<b>CMIN</b>	CMIN/DF >2	2.077	Good
<b>Baseline Comparisons</b>	Approaching 1	Above 5 for NFI, IFI, TLI and CFI	Relatively good
<b>Parsimony Adjusted Measures</b>	0-1	Pration, PNFI, PDCFI fall between 0 and 1	Good
<b>RMSEA (The Root Mean Square Error of Approximation)</b>	> 0.05	0.077	Good
<b>AIC (Akaike Information Criterion)</b>	Default Model between Saturated and Independence	0.000 >0.935 >1.000	Good
<b>ECVI (expected cross-validation index)</b>	Default Model between Saturated and Independence	9.462 >9.786 >27.634	Good

Source: Primary Data Processed (2015).

#### 4.2. Test of the Measurement Model

The measurement model or inner model was used to test the validity of an indicator in measuring a variable. Figure 1 shows the relationship between the indicator and the observed variable in the Measurement Model.

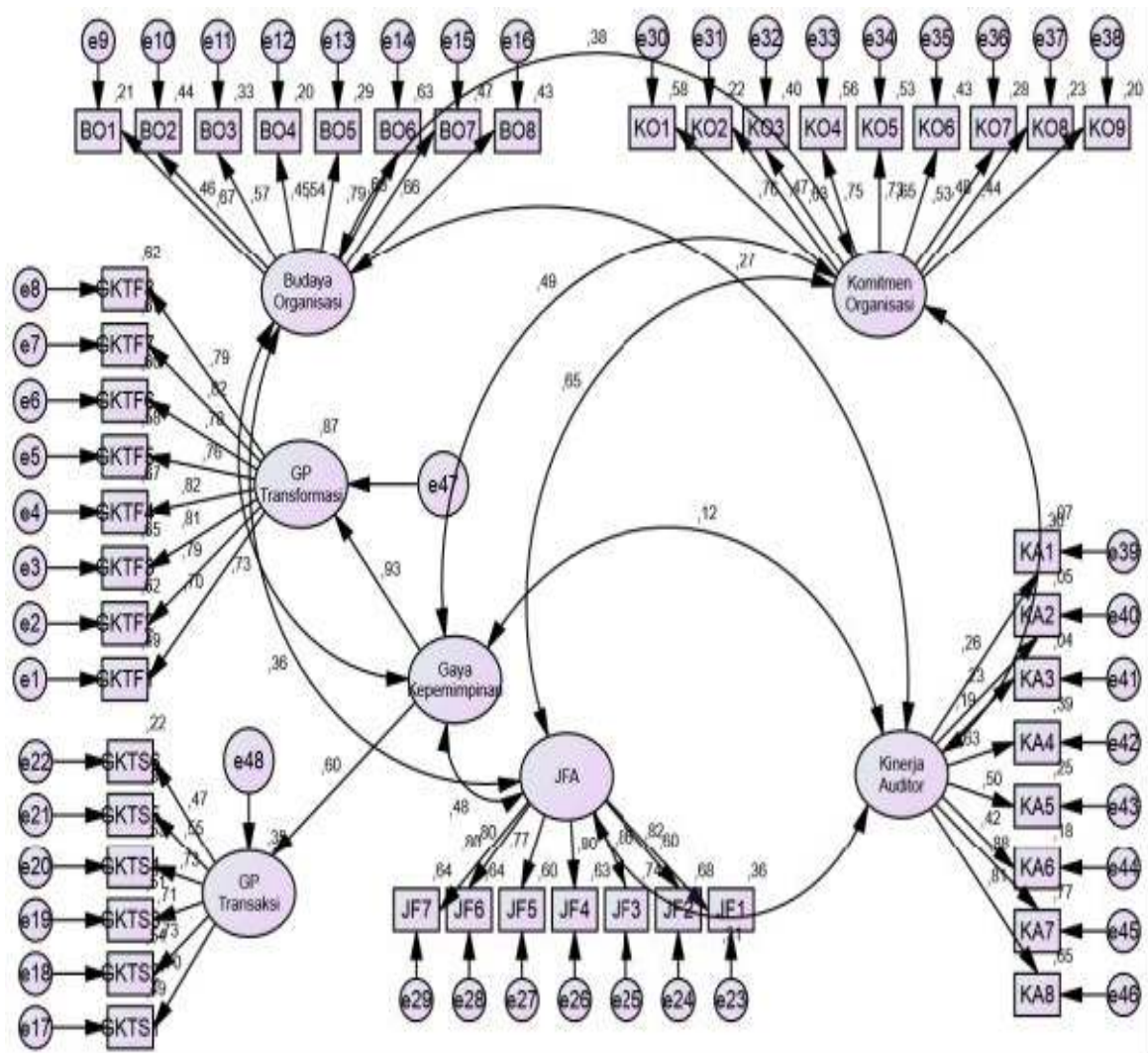


Figure 4.1. Measurement Model with Loading Factor



### 4.3. Structural Equation Modelling Analysis

The next analysis was the SEM in terms of Full Model to test the model and hypothesis formulated in this research. The results of data analysis for SEM were presented in Figure 4.2.

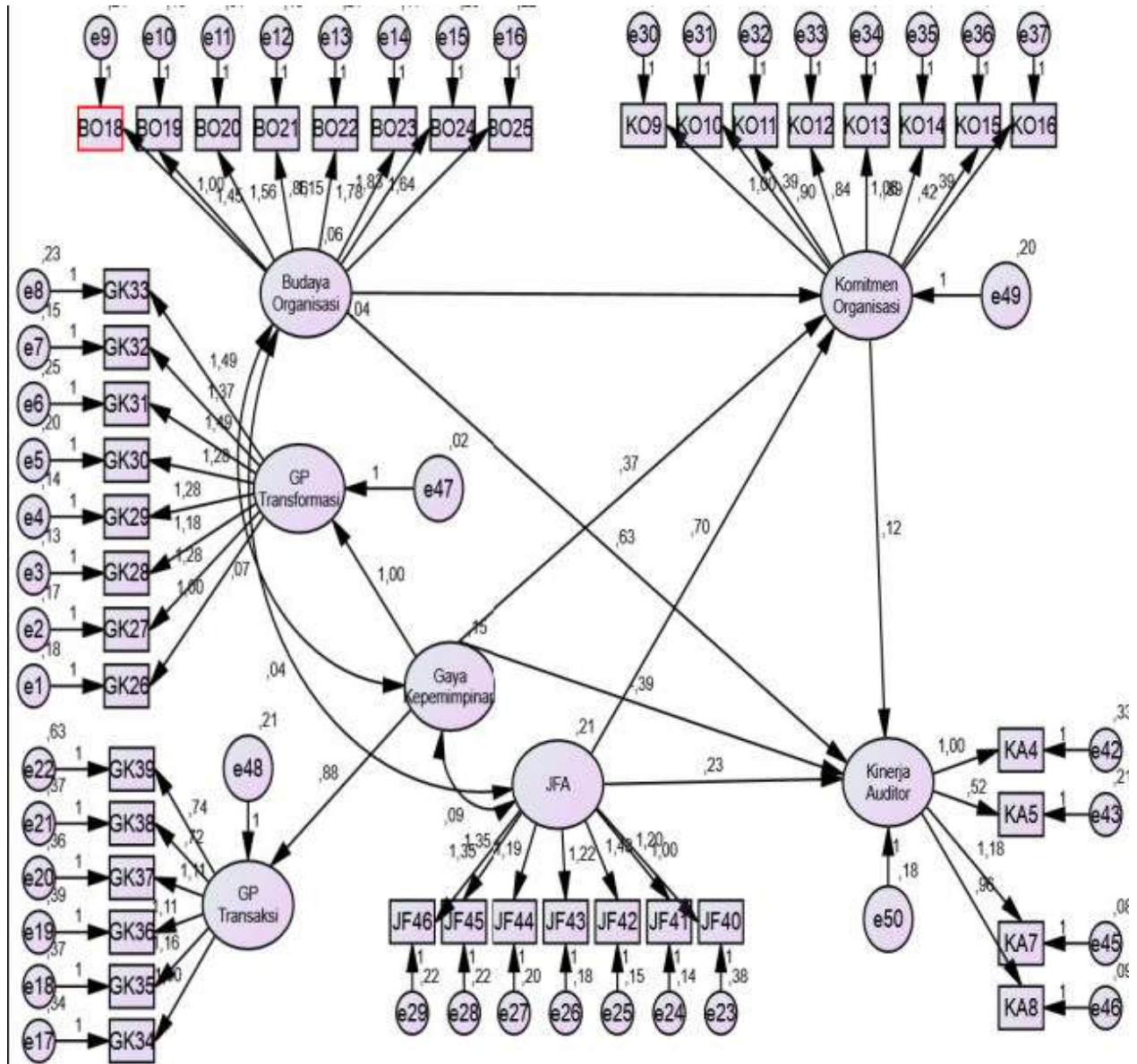


Figure 4.2. Structural Equation Model



#### 4.4. The Findings of the Hypothesis Testing

Table 4.2 provides the findings of the hypothesis testing. All the null-hypothesis were rejected.

Table 4.2. The results of hypothesis testing

No	Influence		Standardized Regression Weight	CR Cut off >1.96	P Value Cut off < 0,05	Remarks	
1.	Organizational Culture	→	Organizational Commitment	0.306	2.145	0.045	Hypothesis is accepted
2.	Leadership Style	→	Organizational Commitment	0.230	1.968	0.008	Hypothesis is accepted
3.	Auditor Functional Position	→	Organizational Commitment	0.133	5.223	***	Hypothesis is accepted
4.	Organizational Culture	→	Internal Auditor Performance	0.303	2.068	0.039	Hypothesis is accepted
5.	Leadership Style	→	Internal Auditor Performance	0.223	1.959	0.049	Hypothesis is accepted
6.	Auditor Functional Position	→	Internal Auditor Performance	0.118	1.962	0.046	Hypothesis is accepted
7.	Organizational Commitment	→	Internal Auditor Performance	0.091	1.982	0.020	Hypothesis is accepted

Source: Primary Data Processed (2015)

An analysis of direct and indirect influences, as well as of the total influence between the variables in the model was used to compare the extent to which each variable is influential. To find out the direct and indirect influences of the variables in this research, we need to observe coefficients. Table 4.3 provides the findings of the direct and indirect effects of the exogenous variables on the endogenous variables via the mediated variables.

Table 4.3. Findings of the Direct and Indirect effects

No	Exogenous variables	Intervening Variable	Endogenous variable	Path Coefficients			Remarks
				Direct Effect (DE)	Indirect Effect (IE)	Total Effect (TE)	
1.	Organizational Culture	Organizational Commitment	Auditor Performance	0.341	0.018 x 0.155 = 0.0028	0.3438	DE > IE
2.	Leadership Style	Organizational Commitment	Auditor Performance	0.330	0.235 x 0.155 = 0.0364	0.3664	DE > IE
3.	Auditor Functional Position	Organizational Commitment	Auditor Performance	0.228	0.533 x 0.155 = 0.0826	0.3106	DE > IE

Source: Primary Data Processed (2015).

#### *4.4.1. The Effect of the Organizational Culture on Organizational Commitment*

The results of the research showed that the organizational culture affected the organizational commitment of the internal auditors. This finding implies that the better the organizational culture, the higher the organizational commitment exhibited by internal auditors at District/Municipality Government Internal Auditor (GIA) in the Province of Aceh. Therefore, the level of organizational commitment is influenced by organizational culture in District/Municipality GIA in the Province of Aceh, and the level of the effect found was 0.306.

This result is in line with what Robbins and Judge (2008:262) proposed, saying that there are several functions of the organizational culture, one of which being to facilitate the building of commitment. This result was also supported by the results of a research by Lok and Crawford (2004), Boon and Arumugam (2006), Manetje and Martins (2009), and Marganingsih and Martini (2010).

#### *4.4.2. The Effect of Leadership Styles on Organizational Commitment*

The results of the research showed that the leadership style influenced the organizational commitment of the internal auditors. This finding denotes that the more appropriate the leadership style, the higher the organizational commitment exhibited by the internal auditors at District/Municipality GIA in the Province of Aceh. Therefore, the level of organizational commitment is influenced by the leadership style in District/Municipality GIA in the Province of Aceh, and the level of effect found was 0.230.

An employer in an organization will be wiser if he chooses and applies a good leadership style by considering the need of the organization so that the staff members are willing to follow the employer direction to achieve the organization goal (Luthans, 2006). These results are in line with the hypothesis and supported results of the research conducted by Lok and Crawford (2004), which proved that the leadership style influenced the commitment of managers in Australia and Hong Kong.

#### *4.4.3. The Effect of Functional Auditors on Organizational Commitment*

The results of the research showed that the auditor functional position influenced the organizational commitment of internal auditors. This finding indicates that the higher the functional position of an auditor, the higher the organizational commitment exhibited by the internal auditors at District/Municipality GIA in the Province of Aceh. The level of organizational commitment influenced by the auditor functional position was 0.133.

The functional position of an auditor at District/Municipality GIA is interpreted into position hierarchy and rank. A manager will exhibit more commitment to his organization and profession compared to his subordinates. In other words, when a member has a higher hierarchical position in an organization, he will have a more self-actualized, and higher intrinsic and extrinsic work performance (Aranya and Ferris, 1984). The current results supported the hypothesis and they are in accordance with the results of a research conducted by Cahyono and Ghazali (2002) who stated that a position positively influenced the satisfactory work performance and the organizational commitment.

#### *4.4.4. The Effect of the Organizational Culture on the Internal Auditor's Performance*

The research results showed that the organizational culture influenced the internal auditor's performance. This finding shows that the better the organizational culture, the higher the internal auditor's performance at District/Municipality GIA in the Province of Aceh. The level of the internal auditor's performance influenced by the organizational culture was 0.303.

Organizational culture at District/Municipality GIA in the Province of Aceh shall refer to Ethic Codes of GIA as stipulated in the Regulation of the Ministry of State Apparatus and Bureaucratic Reform Number 04 of 2008 covering integrity, objectivity, and confidentiality. A cultural system

grown strong in an organization is able to lead the organization to a better development (Robbins and Judge, 2008:256). The current results of the research were in line with the hypothesis, and support the results of a research conducted by Suliman (2002) and Hanna & Firnanti (2013), which showed that there was a positive effect of the organizational culture on the auditor's performance.

#### *4.4.5. The Effect of the Leadership Style on the Internal Auditor's Performance*

The results of the research showed that the leadership style influenced the internal auditor's performance. This finding further implies that the more appropriate the leadership style applied in an organization, the higher the internal auditor's performance at District/Municipality GIA in the Province of Aceh. The level of the internal auditor's performance affected by the leadership style was 0.223.

The work performance is one of the results of a good leadership style determined by the motivation, guidance, and support given by a manager or a team leader. This is supported by Amstrong and Baron (1998) (cited in Wibowo, 2007:100). The leadership style of a manager can influence the employee's productivity and performance (Goleman, 2000). The current results of the research were in line with the hypothesis, and supported the results of a research conducted by Alberto et al. (2005), claiming that the leadership style positively influenced performance.

#### *4.4.6. The Effect of the Functional Position on Internal Auditor's Performance*

The results of the research showed that the functional position influenced internal auditor's performance. In other words, the higher the functional position in an organization, the higher the internal auditor's performance at District/Municipality GIA in the Province of Aceh. The level of the internal auditor's performance affected by the functional position was 0.118. The functional position of an auditor is a functional position at District/Municipality Inspectorate, which is expected to be performed with responsibility, contributing to satisfactory work achievement. The results of this research supported the hypothesis and previous studies. The higher an editor position, the higher the effect on the working performance is (Rohman, 2009).

#### *4.4.7. The Effect of Organizational Commitment on Internal Auditor's Performance*

The results of the research showed that the organizational commitment influenced internal auditor's performance. This finding signifies that the higher the organizational commitment, the higher the internal auditor's performance is at District/Municipality GIA in the Province of Aceh. The level of the internal auditor's performance affected by the organizational commitment was 0.091. Mowday et al. (1982) stated that an employee with higher commitment to his organization would be more motivated to get involved in the organization and to put efforts in achieving the organization goals. The results of this research supported the hypothesis and a research conducted by Suliman (2002), Marganingsih and Martini (2010), Atawarman (2011) and Winardi (2012).

#### *4.4.7.1. The Indirect Effect of the Organizational Culture, Leadership Style, and Functional Auditor through Organizational Commitment on Internal Auditor's Performance*

The results of the research showed that the organizational culture, leadership culture, and functional position of an auditor through organizational indirectly gave slight positive effects on internal auditor's performance at District/Municipality Inspectorate in the Province of Aceh. This suggests that in order to improve the internal auditor performance, it is suggested to directly improve the organization culture, leadership style, and functional position by developing various indicators bound to those variables. The influence of the organization culture through organizational commitment on internal auditor's performance was 0.0025, the influence of the leadership style through organizational commitment on the internal auditor's performance was 0.0364, and the influence of the

functional position through organizational commitment on the internal auditor's performance was 0.228.

The results of the current research supported the alternate hypothesis and they were in line with the results of a research conducted by Trisnaningsih (2007), summarizing that, indirectly, organizational commitment mediated the relationship between the organizational culture and the auditor's performance. These results were also in line with those of the research conducted by Marganingsih and Martini (2010), proving that the organizational culture is an antecedent for organizational commitment and the commitment positively correlated to the auditor's performance.

#### **4.5. Implications of the Findings**

The internal auditor's performance is the endogenous variable influenced by other supporting variables established in this research model, i.e. organizational commitment, organization culture, leadership style, and functional position. Based on the test by using the measurement model to find out the contribution of each indicator of the theoretically established variables, it was found that the indicators gave effect on and were able to explain the represented variables.

However, special attention shall be given to some indicators with higher loading factors compared to other variables, because those indicators were the closest duplicate of the represented variables. Therefore, if the management intervenes between certain variables, the indicators with the highest loading factor shall receive priority in order to achieve improved performance improvement for the selected variables.

The indicators with the highest loading factor for the exogenous variable of the organizational culture were confidentiality, i.e. 0.793. This suggests that confidentiality contributed 79.3% to the organizational culture variable. Furthermore, the indicator with the highest score for the leadership style as an exogenous variable was individual attention, which is a dimension of the transformational leadership style, with the score of 0.822. This score suggests that the indicator contributed 82.2% to the leadership style variable. Meanwhile, the indicator with the highest score for the functional position of an auditor was position, hierarchy and rank, i.e. 0.861, meaning that it contributed 86.1% to the auditor functional position variable.

The indicators with the highest loading factor can be considered as the indicator which best represent the variable. Therefore, intervention on these indicators will give impact to the variables. According to a structural model finding, the variable with the highest influence was the organizational culture, with the coefficient of 0.303. Therefore, the organizational culture is the most dominant variable, which should be considered and prioritized in making a decision, although with limited resources. The finding of this research will be a contribution for managers in deciding priorities, which is to focus on the organizational culture aspect more compared to other variables in making an effort to improve the internal auditors's performance.

#### **5. Conclusions and suggestions**

Based on the results of the hypothesis testing by using the SEM analysis, it can be concluded that:

- (1) the organizational culture, leadership style, and functional position of an auditor influenced the organizational commitment;
- (2) the organizational culture, leadership style, functional position of an auditor, and organizational commitment gave an effect on the internal auditor's performance;
- (3) the organizational culture, leadership style, and functional position of an internal auditor through organizational commitment indirectly influenced the internal auditor's performance at district/municipality GIA in the Province of Aceh.

However, the current research has some limitations. Firstly, the respondents in this research were limited to auditors with the position of internal auditor (functional position as an auditor), while auditors with structural position were not included as a part of the population. Secondly, the current research only tested the influences of organizational commitment as an intervention of the organizational culture, leadership style, and functional position of an auditor on the internal auditor's performance, so that there might be other intervening, and independent variables contributing to dependent variables in this research. Thirdly, this research did not measure the auditor's performance based on the auditor leaders' perception because 21 districts/municipalities GIA are located in different areas in the Province of Aceh. The researchers were bound by time and cost.

Based on the conclusions and limitations presented above, the future researches in this field are recommended to:

- (1) use multiple group analysis on data obtained from samples with different characteristics involving auditors with functional positions and those with structural positions,
- (2) formulate other variables as intervening variables which are predicted to contribute to the performance, such as auditor motivation and independence,
- (3) measure the auditor's performance by using both auditors' perception and their managers of auditor leaders' perception.

Furthermore, districts/municipalities GIA in the Province of Aceh are recommended to improve the auditor's performance by implementing concrete steps to solve problems regarding some indicators for each variable with the lowest average scores, i.e. integrity for organizational culture, passive (only intervene if the working product is under the standard) for leadership style, and position hierarchy and rank for the auditor functional position.

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