

# The Role of Internal Locus of Control on Intrinsic Motivation and Employee Performance of Ceramic Company in East Java

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## **The Role of Internal Locus of Control on Intrinsic Motivation and Employee Performance of Ceramic Company in East Java**

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**Abstract:** This study explains the relationship between Internal locus of control on intrinsic motivation and employee performance of ceramic companies in East Java. Data were obtained from a sample of 160 level employees at the production department, which consisted of Raw Material, Body Preparation, Drying and Packing. There are three findings. First, the Internal locus of control significantly influence intrinsic motivation, this is indicated by the p value of 0.003. Second, an Internal locus of control has a significant effect on employee performance, this is indicated by the p value of 0,032 and the third intrinsic motivation has an effect on significantly to employee performance this is indicated by the p value equal to 0,047. The result of the research shows that Internal variable of locus of control is not dominant to form performance but must pass first intrinsic motivation owned by employees.

**Keywords:** Internal locus of control, intrinsic motivation, employee performance.

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### **I. Introduction**

Competition between one company with another company is very tight, it requires a company has the advantage to compete in terms of quality of products produced, cost, and human resources (HR) quality. The existence of human resources in a company is very important because those who initiate the formation of the organization and can be more optimal in achieving the goals set by the company. In an effort to achieve corporate goals, the problems faced by management, especially companies engaged in the ceramic production process increasingly complex in line with technological developments in the era of globalization.

At present, the problem of its specialized management of ceramic companies is not only in raw materials, machinery used or technology as its supporters but also concerning the attitude of employees or human resources. Human resources are also inputs (inputs) managed by companies that produce output (output). Human resource is an asset for a company that, if managed properly will produce output for a company that is certainly profitable, because it requires quality human resources management for human resource management can run in accordance with company expectations. To be able to realize Human resources to become a profitable asset for the company, one of them is to improve employee performance.

Gilmer (in Munandar, 2002) describes factors that influence performance, including extrinsic factors such as remuneration systems, corporate climate, supervisory relationships, and intrinsic factors, such as psychological factors, age, and health. Psychological factors are some of them are work motivation and self-attribution or internal locus of control. The results of Vishal Mali (2013) proved that between the internal locus of control with motivation and employee performance has a significant correlation.

Robbins (2003), states that work motivation is a process that produces an intensity, direction, and persistence of individuals in their efforts to achieve a goal. Based on that, it can be said that work motivation is a capital in moving and directing employees or workers in order to carry out their respective duties in achieving goals with full awareness, excitement, and responsibility, where the motivation can appear in a person or motivation Intrinsically which is also influenced by self-attribution or internal locus of control. The purpose of this study is to examine the internal role of the locus of control on intrinsic motivation and its impact on the performance of ceramic company employees in East Java.

### **II. Theory Study**

#### **2.1 Internal locus of control**

Locus of control is a picture of one's beliefs about the source of his behavior. Locus of control is one factor that greatly determines the behavior of individuals. The dimensions of Locus of Control according to Rotter in (Friedman and Schustack, 2006: 275) describe the locus of control as two dimensions:

- 1) Internal locus of control

That their beliefs are comparable to the business they are doing and most of them can be controlled. Individuals with a tendency to internal locus of control have an individual believe that the events experienced are the result of their own behavior and actions, have good control over their own behavior, have good control over their own behavior, tend to influence others, believe that their business can succeed, Actively seeking information and knowledge related to the situation being undertaken.

## **2) External locus of control**

Individuals who have an external locus of control have confidence that their actions have little impact on their success or failure, and little they can do to change it. Individuals with external locus of control believe that the power of others, destiny and opportunity are the main factors that affect them naturally, have poor control over their own behavior, tend to be influenced by others, are often unsure that the work they do can not succeed, Less actively seeking information and knowledge related to the situation at hand. Characteristics of People Who Have Locus of control Internal

According to Ghufron and Risnawati (2012: 65), a person who has an internal locus of control has the belief that what happens to him, his failures, his successes are due to his own influence while the person who has an external center of locus of control has the assumption that -The factors that exist outside of him will affect his behavior, such as chance, fate, and fortune. People with an internal locus of control are more success-oriented because they assume their behavior can produce positive effects and they are also more likely to be high-achievers (Findley and Cooper, 1983 in Friedman and Schustack, 2006: 275).

Internal locus of control is the capital to achieve career maturity in a person, by having an internal locus of control in itself is a factor that can help in achieving individual career maturity. Research conducted by Mr. Khagendra Nath Ganga and Dr. Gopal Chandra Mahakud (2016) reveals that individuals with an internal locus of controls believe that events in his life are determined by his own efforts and behavior. According to Crider (1983) individuals who have an internal locus of control have characteristics such as, Likes to work hard, Have a high initiative, Always try to find problem-solving, Always try to think as effectively as possible, Always have the perception that effort must be done if you want to succeed. Based on the above, it can be said that psychological factors namely internal locus of control will be able to generate internal motivation in a person who will also affect the performance.

H1: Internal locus of control has a positive and significant effect on Intrinsic motivation

H2: Internal locus of control has a positive and significant effect on employee performance

## **2.2 Intrinsic Motivation**

Mangkunegara (2005: 61) states that motivation formed from attitudes (attitude) employees in the face of work situations in the company (situation). Motivation is a condition or energy that moves the employee self-directed or directed to achieve corporate organization goals. According to Syaiful Bahri (2002: 115), intrinsic motivation is the motives that become active or functioning does not require stimulation from the outside because in each individual there is a drive to do something. In line with the above opinion, in his article Siti Sumarni (2005) mentions that intrinsic motivation is the motivation that arises from within a person. While Sutikno (2007) interpret intrinsic motivation as a motivation that arises from within the individual itself without any coercion of encouragement of others, but on the basis of their own volition. From some of these opinions can be stated that intrinsic motivation is the motivation that arises from within a person without the need for external stimuli.

On the other hand, extrinsic motivation is the motive of the active and functioning because of the stimulus or encouragement from the outside. Intrinsic and extrinsic motivation causes one to be motivated to achieve their desired goals. This intrinsic and extrinsic motivation also causes one to achieve success. The success they gain in achieving a goal can be seen from the performance they have done. Someone can be said to get a good performance if it has achieved the desired goals and results. The results of such performance can be obtained if there is motivation from within the individual (intrinsic) and the motivation that comes from outside the individual (extrinsic) to carry out their work. This motivation also will help improve employee morale to achieve better performance.

H3: Intrinsic motivation has a positive effect on employee performance

## **2.3 Employee Performance**

According to Mathis (2006: 78), states that performance is basically something done or not done employees.

Performance is what affects how much they contribute to an organization that includes:

1. The Quantity of output
2. The Quality of output
3. Output period

4. Attendance at work
5. Cooperative attitude

In Wirawan (2009: 5) explains that performance is the output generated by the function or indicator of a job or a profession within a certain time. Performance terms are derived from the words Job Performance or Actual Performance (actual performance or achievement achieved by someone). Understanding performance is the result of work in quality and quantity achieved by an employee in performing their duties in accordance with the responsibilities given to him (Mangkunegara, 2009: 67). Malayu S.P. Hasibuan (2006: 34) states that performance is a result of work achieved by a person in carrying out tasks assigned to him based on skills, experience and sincerity and time.

### **III. Research Methods**

#### **3.1 Population and sample**

The research type is explanatory research with quantitative approach. The explanatory research according to Sugiyono (2006) is a study that explains the causal relationship between the variables that affect the hypothesis. The population in this research is the ceramic company in East Java, which is an individual investment and production capacity of 45.000 m<sup>2</sup> per day. This is to help researchers get good criteria on the quality of performance of employees. Hair et al. In Ferdinand, (2002: 48) suggest that the sample size depends on the number of indicators used in all latent variables. It is recommended that the minimum sample size is 5-10 observations for each parameter estimate. Based on the above opinion, the minimum sample size in this study is  $n = 9 \times$  number of indicators, where  $n$  is the minimum sample size. Indicators used in this study as many as 12 indicators, so that obtained a minimum sample size of 108 respondents.

#### **3.2 Sample Characteristics**

Respondents who became the source of information to obtain primary data were taken from the operator level employees in the production department, which consisted of Raw Material, Body Preparation, Drying and Packing. Where the population of 270 employees.

The number of samples according to the Slovin formula states that, the sample being studied or desirable using a percentage of 5% so used the following formula:

$$N = N / (1 + N (e ^ 2))$$

$$N = 270 / (1 + 270 ( [0,05] ^ 2)) = 161.194$$

$$N \approx 160 \text{ respondents}$$

The technique of determining the sample based on purposive random sampling method, that is from 160 samples of employees will be distributed at different ceramic companies with the aim that the population of each research object that is employee level ceramic company level existing in East Java can be represented.

#### **3.3 Operational Definition and Measurement Scale**

To answer the problem formulation and to test the proposed hypothesis, then the data obtained will be further processed in accordance with the needs of the analysis. For the purposes of discussion, data is processed and presented based on descriptive statistical principles, while for the purposes of hypothesis analysis and testing used inferential statistical approach. To be able to answer the research question and to evaluate the model that was developed, used the technique of analysis of Structural Equation Modeling (SEM). The use of SEM analysis techniques allows researchers to examine the relationship between complex variables to obtain a comprehensive picture of the overall model. SEM analysis techniques can also test variables simultaneously.

Locus of control is the level of a person's ability to control events, events, fate and luck that happen to him. A person who believes that the events and events that happen to him are his effort and control is called internal locus of control or in other words, can be stated that the individual believes is the source of a determinant of events or events in his life that are influenced by his own efforts and behavior. Crider (in Ghufroon and Risnawati, 2012) the characteristics of people who have an internal locus of control have certain criteria. Based on this, the indicators of internal locus of control are (1) Likes to work hard, (2) Have a high initiative, (3) Seeks to find problem-solving and (4) Try to think as effectively as possible and have a perception that effort must be done if Want to succeed. Intrinsic motivation is the motivation that encourages a person to excel that comes from within the individual, in the form of awareness of the importance of the benefits or the meaning of the work performed (Nawawi, 2000). Intrinsic motivation variables are measured by indicators (according to Robbins, 2006), namely: (1) Achievement is the provision of opportunities provided by the company to potential employees. (2) The rewards are rewards to employees for the work to develop themselves.

- (3) Responsibility is the duty of employees to understand correctly the role and authority given by the company.
- (4) Self-development is an opportunity for employees to progress and develop in terms of work.

Performance has the understanding that the work in quality and quantity achieved by an employee in performing their duties in accordance with the responsibilities given to him (Mangkunegara, 2001). The indicators of the performance variables in this study (according to Robbins, 2006), among others, are: (1) The quality of work is the quality that must be generated in the work, (2) Quantity of work is the amount to be accomplished and achieved in the work, (3) Time is the accuracy of work with the time set, (4) Cooperation is the ability of someone in working with others (teamwork). The instruments used in the assessment of research questions are Likert scale with five points (1- Very unsuitable; 2- Inappropriate; 3- Sufficient; 4- Suit and 5- Very suitable).

#### IV. Test Measurement Model

The Measurement model test is part of the SEM analysis model which consists of a latent variable (construct) and several manifest variables (indicator) that describe the latent variable. Based on the calculation of Structural Equation Modeling (SEM) using the AMOS (Analysis of Moment Structure) version 22.0, All Loading Factor was significant at alpha 5%, this value can be declared valid because loading value above 0.60 and p-value < 0.05 (Ghozali, 2014: 138)

**Table 4.1** Testing Measurement Model

Indicator	Direction	Construct	Estimate	P Value
X1	<---	Locus_KI	0.613	0.000
X2	<---	Locus_KI	0.816	0.000
X3	<---	Locus_KI	0.649	0.000
X4	<---	Locus_KI	0.728	0.000
Y4	<---	Motivation_Int	0.747	0.000
Y3	<---	Motivation_Int	0.749	0.000
Y2	<---	Motivation_Int	0.565	0.000
Y1	<---	Motivation_Int	0.752	0.000
Z1	<---	Performance	0.713	0.000
Z2	<---	Performance	0.814	0.000
Z3	<---	Performance	0.844	0.000
Z4	<---	Performance	0.829	0.000

Source: Output Amos Ver 22.0

#### V. Results Analysis

##### 5.1 Model of structural equations

After testing the SEM assumption and obtained results that the data used eligible, then the analysis can be continued with the suitability test model and the significance test of causality. The results of model conformance testing are presented in the following table:

**Table 5.1** Conformity Testing Model

No	Goodness of fit	Cut – of – value	Results	Description
1	Chi Square	Expected small	50.481	Fit
2	Significance Probability	≥ 0,05	0,494	Fit
3	RMSEA	≤ 0,08	0,000	Fit
4	GFI	≥ 0,90	0,949	Fit
5	AGFI	≥ 0,90	0,922	Fit
6	CMIN/DF	≤ 2,00	51,00	Fit
7	TLI	≥ 0,90	1,001	Fit
8	CFI	≥ 0,95	1,000	Fit

Source: Output Amos Ver 22.0

Based on the calculation results obtained from Table 5.1, the results show that the model has been appropriate, it can be shown on the parameter values that meet the criteria of Conformity Test Model.

##### 5.2 Test Results

The conceptual model shown in Figure 1 shows first, an Internal locus of control has a significant effect on the positive direction of intrinsic motivation. This can be seen from positive sign coefficient of 0.353 with CR value of 2.968 and obtained probability significance (p) of 0.003 smaller than the level of significance  $\alpha$  is set at 0.05. Thus the Internal locus of control variable has a significant effect on intrinsic motivation. These results provide support for the first hypothesis that Internal locus of control variables significantly influence intrinsic motivation.

Second, an Internal locus of control variable has a significant effect on the positive direction on employee performance. This can be seen from the positive signified coefficient of 0.226 with the CR value of 2.138 and obtained the probability significance (p) of 0.032 is smaller than the significance level  $\alpha$  is set at 0.05. Thus the Internal locus of control variables significantly influences employee performance. These results provide support for the hypothesis of the two variables Internal locus of control significant effect on employee performance. Third, intrinsic motivation has a significant effect on the positive direction on employee performance. This can be seen from the coefficient of positive marked 0.182 with CR value of 1.984 and obtained probability significance (p) of 0.047 is smaller than the significance level  $\alpha$  is set at 0.05. Thus, intrinsic motivation variable significantly influences employee performance. These results provide support for the third hypothesis that intrinsic motivation variables have a significant effect on employee performance.

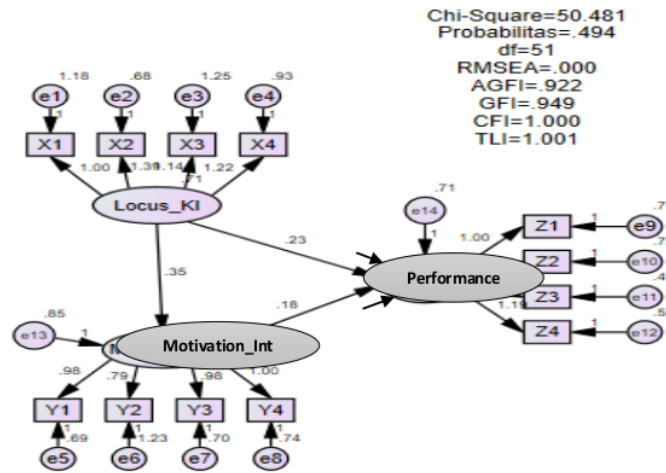


Figure 5.1. Conceptual Model

Source: Output Amos Ver 22.0

5.3 Influence between paths

The strength of the correlation between constructs, either direct or indirect correlation (effect), or total correlation, can be analyzed by coefficients of all lines with one end arrow. The direct correlation of observation variables is the value of the path coefficient for each variable observed. Indirect correlation (standardized indirect effect) can strengthen or weaken the value of direct correlation (standardized direct effect) derived from exogenous variables in this study. The total correlation is the sum of the relationships found in one observation variable (Ferdinand, 2000: 139). Direct effect, indirect effect, and the total effect of each independent variable on the dependent variable can be explained as follows:

Table 5.2 The value of direct, indirect and total influence

Influence Between Variables	Direct	Indirect	Total
		Motivation_Int	
Motivation_Int ← -Locus_KI	0.353	0.000	0.353
Performance ← -Motivation_Int	0.182	0.000	0.182
Performance ← -Locus_KI	0.226	0.041	0.267

Source: Output Amos Ver 22.0

The existence of indirect correlation (indirect effect) between Internal locus of control on performance through intrinsic motivation that has an indirect effect of  $0.226 \times 0.182 = 0.041$ . And the total effect of 0.267. Furthermore the value of direct effect (direct effect) from an Internal locus of control to the performance of 0.226. The value indicates that if the indirect effect (0.267) is greater than the direct effect (0.226). This shows that the Internal locus of the control variable is not dominant in form of performance but must pass first the intrinsic motivation owned by the employee.

## **VI. Discussion**

The main purpose of this study was to examine the relationship between Internal locus of control, intrinsic motivation, and employee performance. The results of SEM show the following three findings. First, this study reinforces that the Internal locus of control has a significant effect on intrinsic motivation. These findings reinforce the theory of Findley and Cooper 1983 which says that people with internal locus of control are more success-oriented because they consider their behavior to produce positive effects and also they are more likely to be high-achievers. The results of this study also support the research. Khagendra Nath Ganga and Dr. Gopal Chandra Mahakud (2016) proves that the Internal locus of control has a significant influence on job satisfaction that also affects employees' intrinsic motivation.

The second finding of the research reinforces the assertion that the Internal locus of control has a significant effect on performance. This research is reinforced by Crider's (1983) theory which says that individuals who have internal locus of control have characteristics such as, Likes to work hard, Have high initiative, Always try to find problem-solving, Always try to think as effectively as possible, Always have perception that effort Should be done if you want to succeed. This study also supports research from Vishal Mali (2013) to prove that Internal locus of control has a significant effect on performance.

The third finding of this study reinforces the assertion that intrinsic motivation has a significant effect on performance. The result of the analysis shows that intrinsic motivation has a significant influence on employee performance. This research is supported by the theory of Mangkunegara (2005) which states that the motivation is formed from the attitude (attitude) employees in the face of work situations in the company (situation). Motivation is a condition or energy that moves the employee self-directed or directed to achieve corporate organization goals. This research also supported by research of Febrian Nurtaneo Akbar (2016) which proves that intrinsic motivation has a positive effect on employee performance at PT Perkebunan Nusantara XII Surabaya.

## **VII. Conclusion**

Based on the results of data analysis, hypothesis testing, and previous discussion, it can be concluded as follows:

1. Internal locus of control has a significant effect on intrinsic motivation. A person who has an Internal locus of control is an individual with the belief that if they work hard they will succeed, and believe that the person who fails is due to lack of ability or motivation. Individuals who have an internal locus of control are identified to rely more on their own expectations.
2. Internal locus of control has a significant effect on employee performance. A person who has an Internal locus of control is identified more like a skill than relying on favorable situations. Results achieved locus of control internal is derived from his activities. For someone who has an internal locus of control will see the world as something predictable, and individual behavior plays a role in it, so that will affect the resulting performance.
3. Intrinsic motivation has a positive effect on employee performance. Intrinsic motivation is a motive that becomes active or functioning does not need to be stimulated from the outside because in every individual there is a drive to do something, intrinsic motivation causes a person to push to achieve the goals they want. This intrinsic motivation also causes one to achieve success. The success they get in achieving a goal can be seen from the results of the performance they have done. Someone can be said to get a good performance if it has achieved the desired goals and results. The results of this performance can be obtained if there is motivation from within individuals (intrinsic) to carry out their work. This motivation also will help improve employee morale.
4. Internal variable locus of control is not dominant to form the performance but must first pass the intrinsic motivation owned by employees, therefore it is important for the company to always instill motivation in each employee.

## **VIII. Suggestions**

Based on the results of research conducted, there are several suggestions as follows:

1. The company is expected to be able to instill a sense of confidence in the employees because it will increase internal locus of control on employees and the company to continue to provide motivational training on a regular basis.
2. For employees who have a high internal locus of control are expected to maintain and there is an effort to improve internal locus of control can be done in order to increase confidence by attending seminars or workshops where it brings successful people in a career in a particular field.
3. Intrinsic motivation has an influence on employee performance, therefore the company must make an effort that can influence employee intrinsic motivation to get high employee performance and keep increasing, so that company productivity better and company can reach its goal well also and maximal.



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