The relationships between the levers of control, employee performance and banking performance

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Abstract
This study aims to examine the direct and indirect effect of the relationship between the influence of levers of control and employee performance on banking performance. The population of this study is all employees of Bank 9 Jambi with a total of 657 employees. The sample selection method in this study used purposive sampling. So, the sample that could be used was 73 respondents. The research model was tested using SEM-PLS with Warp PLS software version 7.0 which is a multivariate analysis technique to test the structural model. The main purpose of using this method is to analyze a predictive causality in which the problem is explored in a complex manner and theoretical knowledge is still scarce. The results showed that levers of control were able to directly influence employee performance and also directly influence banking performance. Meanwhile, employee performance is not able to influence banking performance. However, employee performance is not able to mediate the relationship between the influence levers of control on banking performance. These results reflect that the banking industry has been innovating in performance appraisal. This research becomes a guideline for company leaders to use multiple performance measurement systems in influencing employee performance and using levers of control in these relationships to improve performance.

Keywords: banking performance, levers of control, employee performance

INTRODUCTION

The development of the industrial revolution era 4.0 is marked by the development of innovation due to technological developments, and even indirectly causes changes in the company's business (Manggu and Dewi, 2019). This development in the business world is one of the important factors causing the world's economic growth which is increasingly rapid (Jessica, 2018). The existence of competition requires industry players to pay attention to the rapidly changing desires and expectations of consumers. This is reinforced by the presence of a disruption era condition that causes significant changes to a business or company (Manggu and Dewi, 2019).

The Coronavirus Disease (COVID-19) pandemic greatly affected the world economy in 2020. Starting from health problems to having an impact on social problems and the global economic crisis. During 2020, the global economy continued to be depressed due to the decline in population (human) mobility business activities as the number of infected cases increased, causing an economic crisis in most countries. Reviewing economic activities

cannot be separated from the world of banking (Purwoko and Sudiyatno, 2013). Banking resilience based on (www.ojk.go.id) was generally maintained in the fourth quarter of 2020, as reflected in the bank's fairly solid capital with a Capital Adequacy Ratio (CAR) of 23.81%. This shows the bank's adequate ability to absorb risk. The banking intermediation function declined slightly due to contracted credit growth, while Dana Pihak Ketiga (DPK) or third party fund recorded high growth (11.11%, yoy). Banking liquidity is also adequate, as reflected in the Loan to Deposit Ratio (LDR), LA/NCD and LA/DPK ratios of 82.24%, 146.72% and 31.67%, respectively. However, it is necessary to pay attention to the increase in credit risk and decrease in profitability in line with economic activity that has not yet recovered due to the impact of the COVID-19 pandemic.

According to the intermediation function of Bank Umum Konvensional (BUK) or conventional commercial banks (www.ojk.go.id) there was a decline in line with contracted credit, accompanied by high growth in third party funds. This resulted in a decrease in the LDR ratio to 82.54% even though it was still within the threshold (78%-92%). In general, banking liquidity conditions are still well maintained, which is reflected in the LDR ratio as well as the LA/NCD and LA/DPK ratios which are recorded at 148.05% and 32.03%, or well above the thresholds of 50% and 10%. BUK resilience is also still solid with a capital level that is well above the threshold. However, it is necessary to pay attention to the increase in credit risk and the decrease in the profitability of BUK compared to the previous year. Along with that, banking resilience in general is also maintained as seen from the fairly high CAR of 23.41%. However, the potential for continued increase in credit risk and a decline in bank profitability must be watched out for because sooner or later this will erode bank capital in the future, especially if the economic recovery process is slow.

The role of banking is currently very dominant in the financial system, so understanding and good bank management will certainly encourage a good financial system (Purwoko and Sudiyatno, 2013). Where, a bank is an institution or company whose activities are collecting funds in the form of demand deposits, savings deposits and other deposits from the surplus spending unit, then placing it back into the deficit spending unit through the sale of financial services which in turn can improve the welfare of the people at large. However, the banking industry has a very high business risk, this industry is a capital intensive industry, where the costs of exit policies will be very expensive. The collapse of the banking industry will adversely affect the banking system and affect the stability of the financial sector as a whole. Which can also be referred to as Systemic Risk. Therefore, we need a way to measure the performance of a bank that can describe the bank's ability. One of them is implementing a management control system in order to be able to control strategies in dealing with possible changes (Manggu and Dewi, 2019).

Anthony and Govindarajan (2000) define a management control system (MCS) as a system that helps managers to run an organization or company in accordance with the direction of the company's goals and objectives. In achieving a goal and target, the organization moves dynamically to make changes continuously in order to achieve the goals that have been set and is influenced by formal and informal factors such as rules, work ethic, culture, perception and communication (Adhitama and Aulia, 2017). Then, these management control activities include planning what the organization must do, coordinating between departments, communicating information, evaluating performance, deciding what actions to take and influencing others to change their behavior (Adhitama and Aulia, 2017).

The management control system model that is able to overcome problems in a company is the levers of control proposed by Simons (1995). This levers of control theory focuses on innovation and control (Jessica, 2018). This model has been widely applied to several companies as stated by several previous studies by (Afrizal, et al. 2020; Hernando, et al. 2022; Hernando, 2021; Hernando, 2020; Hoque and Chia, 2012; Kruis, et al. 2016; Marginson, et al. 2014; Neldawaty and Hernando, 2021; Pilonato and Monfardini, 2020; Rezania, et al. 2016; Spekle and Van Elten, 2017; Syofyan, et al. 2021; Syofyan and Hernando, 2021; Tessier and Otley, 2012. This model consists of: Belief System, Boundary System, Diagnostic Control System, and Interactive Control System (Simons, 1995). Hernando, et al. 2020 examines the effect of the management control system using levers of control on managerial work related attitudes in ten companies located in the Jabodetabek satellite area in companies engaged in services, trade and manufacturing. Where the research sample uses employees in the three types of companies. Next Marginson, et al. (2014) which examines the effect of levers of control on the performance of managers in companies operating in the telecommunications sector in the UK. The test results show that levers of control are able to influence the performance of managers and are able to increase psychological empowerment. Furthermore, Kruis, et al. 2016 tested the levers of control framework on 217 business unit managers in the Netherlands which resulted in empirical identification in providing empirical information for theoretical interpretation and analysis. Speckle, et al. (2017) also tested 233 business unit managers which showed that levers of control were able to motivate every employee.

Several previous studies have shown that levers of control can be implemented in the BC Education and Training Center in analyzing management control systems (Adhitama and Aulia, 2017). Then, (Handayani and Bastian, 2017) show that there are two dimensions of levers of control, namely diagnostic control systems and interactive control systems that can affect company performance. However, two other dimensions, namely, the belief system and the boundary system are not able to affect the company's performance (Handayani and Bastian, 2017). On the other hand (Jessica, 2018) recommends being able to use the four levers of control in influencing company performance. Because, levers of control are a unit that must be implemented to get maximum results (Jessica, 2018). Meanwhile, (Manggu, 2018) uses four levers of control frameworks, namely belief systems, boundary systems, diagnostic control systems and interactive control systems because they are believed to be needed by companies.

Based on the problems from several previous studies, it shows that levers of control can affect the company's performance. Meanwhile, the findings of Marginson, et al. 2014 revealed that levers of control can affect performance if combined or mediated by a performance measurement system, both financial performance measurement and non-financial performance measurement. However, only two dimensions of levers of control are able to influence, namely; diagnostic control system and interactive control system (Marginson, et al. 2014). This finding is reinforced by (Hernando, 2020; Hernando, Abdurrahman and Prasetyo, 2020; Hernando, Prasetyo and Abdurrahman, 2020; Hernando, 2021; Hernando, et al. 2022) that the combination of a performance measurement system (both financial and non-financial performance) with a levers of control system (both diagnostic control systems and interactive control systems) able to influence employee performance in service, trading and manufacturing companies related to clarity of purpose and fairness of evaluation.

To maintain the resilience of the banking industry in the midst of a pandemic, the Otoritas Jasa Keuangan (OJK) or Financial Services Authority always strives to improve risk mitigation by continuously improving the quality of supervision accompanied by strengthening regulations, while maintaining the security and quality of financial services sector services to consumers. On the other hand, the management of banking companies needs to carry out strengthening strategies from the internal side such as implementing a management control system in order to be able to control strategies in dealing with possible changes (Adhitama and Aulia, 2017; Manggu and Dewi, 2019). The strategy is in the form of levers of control as the basis for efforts to improve banking performance through the use of financial performance measurement. The development of this research is a new thing to fill this research gap as well as being novelty in this research.

Based on the findings of several previous studies and the discussion above, the researcher aims to examine the effect of levers of control on the performance of banking companies mediated by the performance measurement system. However, this research certainly has limitations. Among them, the limitation of this research is only limited to two dimensions of levers of control, namely the diagnostic control system and the interactive control system. Then, this research is also limited to one performance measurement system, namely the use of financial performance measurement. Then, the only banking company studied was Bank 9 Jambi. Thus, the title of this research is "The Relationship of The Effect of Levers of Control, Employee Performance and Banking Performance".

LITERATURE REVIEW

Banking Performance

Indonesian banking in carrying out its functions is based on the principle of prudence. Based on (www.ojk.go.id) the main function of Indonesian banking is as a collector and distributor of public funds and aims to support the implementation of national development in order to increase equitable distribution of development and its results, economic growth and national stability, towards increasing the standard of living of the people at large. Therefore, the definition of a Bank according to Law Number 10 of 1998 concerning Banking, a Bank is defined as a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve people's living standards. Then, commercial banks are defined as banks that carry out business activities conventionally and or based on sharia principles, which in their activities provide services in payment traffic (www.ojk.go.id).

Employee Performance

Employee performance is a reflection of the leadership performance (Lee, et al. 2015). This means that the good performance of employees is in line with the performance of the leadership (Hernando, Prasetyo and Abdurrahman, 2020; Yukl, 2013). Information related to employee performance is used by company leaders for monitoring and evaluation (Hartmann, et al. 2010; Yukl, 2013). This is done so that the targets assigned to employees can be achieved and achieved and align with the company's goals and objectives. Leaders will use tools to influence employee performance (Yukl, 2013). One of them is the application of leadership style and performance measurement (Hernando, 2020; Hernando,

Abdurrahman and Prasetyo, 2020; Hernando, Prasetyo and Abdurrahman, 2020; Syofyan, et al. 2021; Yukl, 2013).

Company Performance

Company performance is a measure of the success of managers in managing the company (Putra, 2015). Performance itself is defined as a complete display of the state over a certain period of time which is the result or achievement that is influenced by the company's operational activities in utilizing its resources. Meanwhile, company performance shows the company's ability to provide benefits from assets, equity, and debt. The company's performance is simply the company's work performance. Good company performance is also meaningful for consumers, communities, employees, and suppliers.

Levers of Control

The levers of control framework consists of four control systems, namely: belief system, boundary system, diagnostic control system and interactive control system (Simons, 1994; Simons, 1995) which work simultaneously to provide benefits to the organization (Bandiyono and Augustine, 2019). Meanwhile, according to Tessier and Otley (2012) revealed that levers of control have positive and negative strengths. Where, two dimensions (belief system and interactive control system) are defined as positive levers of control. Meanwhile, the other two dimensions of levers of control, namely the boundary system and the diagnostic control system, are defined as negative levers of control (Tessier and Otley, 2012). Levers of control are needed to direct the behavior of all employees in an effort to facilitate organizational learning in order to improve employee knowledge and skills at any time, the impact of which can improve organizational performance (Bandiyono and Augustine, 2019). Through these four dimensions of levers of control, the learning process in the organization will run well and will improve the abilities and competencies of employees which have an impact on improving organizational performance (Bandiyono and Augustine, 2019). Neng (2012) concluded that belief systems, boundary systems, diagnostic control systems and interactive control systems have a significant effect on organizational learning. In addition, there is a significant influence between organizational learning and organizational performance (Bandiyono and Augustine, 2019; Neng, 2012).

The levers of control control system in this study is only limited to the diagnostic control system and the interactive control system. The diagnostic control system is concluded as a formal feedback system that is used to monitor organizational results and avoid deviations in accordance with established performance standards (Hernando, 2020; Simons, 1994; Simons, 1995). Meanwhile, interactive control system is defined as a formal system used by top managers to regularly involve themselves in the activities of subordinates (Fellita, 2018; Hernando, 2020; Simons, 1995; Tessier and Otley, 2012).

Performance Measurement System

Performance measurement provides an explanation for overcoming problems in the current management accounting literature (Chow and Van der Stede, 2006; Hartmann, et al. 2010; Hopwood, 1972; Ittner and Larcker, 1998). Performance measurement is important as a key in implementing strategic plans, translating strategy into desired behavior and results, communicating expectations, providing feedback, monitoring progress, motivating

subordinates with rewards and sanctions, and evaluating the achievement of company goals (Hinkin and Schriesheim, 2015; Sholihin, 2013).

Diagnostic Control System and Employee Performance

A well-designed management control system can improve organizational performance and innovation (Nani and Safitri, 2021; Siwu, et al. 2021). The system is in the form of levers of control with the dimensions of a diagnostic control system. The diagnostic control system itself is a control system used by the leader to make comparisons regarding the suitability of the results on the performance of subordinates (Han and Jessica, 2021). Then, this system implements a strategy with predetermined standards and targets (Martyn, et al. 2016). Several research findings indicate that the diagnostic control system is able to affect employee performance. Among them are research conducted by Neldawaty and Hernando (2021) on respondents who work in service, trading and manufacturing companies in the Greater Jakarta area. Likewise in the research of Hernando, et al. (2022) who conducted testing on employees in Jambi City. Then, the findings by Triandini (2021) who tested the influence of superiors using a management control system by implementing a diagnostic control system were able to affect the performance of employees in the service and trade sectors. Based on the various findings by previous researchers, the authors hypothesize that:
H1: Diagnostic control system influence on employee performance

Interactive control system and employee performance

The management control system on levers of control also introduces an interactive control system (Arjalies and Mundy, 2013). This system is a two-way communication process for both managers and subordinate employees at various levels of the organization who are able to work together to improve performance (Warouw, et al. 2022). This system has a positive impact in forming strategies and implementing strategies (Jolanda and Budianto, 2017). The findings of previous research also show that there are various results on the effect of the interactive control system on employee performance. Where the findings of Neldawaty and Hernando (2021) do not show support and are not even able to mediate on performance. Likewise the findings by Warouw, et al. (2022) where the effect of the interactive control system on the performance of the sample at the Sintesa Peninsula Hotel Manado is still not maximized. However, the findings of Syofyan, et al. (2021) showed the support of the results even though the interactive control system was combined with performance measurement and as a partial mediation. The mixed findings lead the authors to hypothesize:
H2: Interactive control system influence on employee performance

Employee performance and banking performance

Employee performance has an important role in improving the company's performance either directly or indirectly. Company performance will increase when managed by employees who have good motivation and morale and discipline (Sembiring, et al. 2021). Likewise, the high profitability of the company will have an impact on employee satisfaction. Although employee performance is not one of the factors that develop company performance. But, with employees as a lighter so that the company's performance can grow and develop. In this study, the company under study is a financial service company in the banking sector.

Banking performance indicators based on www.ojk.go.id use Capital Adequacy Ratio (CAR), Operating Costs to Operating Income or Biaya Operasional dan Pendapatan Operasional (BOPO), Loan to Deposit Ratio (LDR), Net Interest Margin (NIM) and Return on Assets (ROA). So, in this study, we try to examine the relationship between banking performance factors in terms of employee performance. So the third hypothesis of this research is:
H3: Employee performance influence on banking performance

Diagnostic control system and banking performance
The diagnostic control system is part of the levers of control (Simons, 1994; Simons, 1995) which provides an assessment of rewarding when performance meets or exceeds existing standards and performs follow-up when targets or standards are not achieved (Arjalies and Mundy, 2013; Han and Jessica, 2021). The findings of Syofyan, et al. (2021) show that the diagnostic control system is able to directly affect performance as well as mediate the relationship of leadership style to performance in fairness evaluation combined with non-financial performance measures. Then the findings of Syofyan and Hernando (2021) also show the influence of the diagnostic control system on the performance of employees at the BLUD Puskesmas Batanghari Regency and Tanjung Jabung Barat Jambi Province. From these findings, the authors indicate that the diagnostic control system also affects banking performance. So, the fourth hypothesis in this study is:
H4: Diagnostic control system influence on banking performance

Interactive control system and banking performance
Levers of control has four levers, one of which is an interactive control system (Simons, 1994; Simons, 1995). This system explains related to monitoring organizational performance in order to minimize deviations within the organization (Hernando, 2021). In this regard, the authors indicate that the diagnostic control system is able to influence banking performance. Where this system is predicted to be able to avoid some errors that will occur. Given that the banking financial services sector is a very crucial industry for human error in its operations. So that the authors hypothesize:
H5: Interactive control system influence on banking performance

Diagnostic control system influence, banking performance and employee performance

Diagnostic control systems are able to improve performance when combined with performance measures, both financial and non-financial. Findings from Marginson, et al. (2014) stated that the system of levers of control is able to increase psychological empowerment when combined with a performance measurement system. Likewise, the findings from (Hernando, 2021) that the combination of a diagnostic control system with non-financial performance measures has been proven to be able to fully mediate the relationship between the leadership role and performance. However, the diagnostic control system has never been tested in terms of influencing banking performance which is mediated by employee performance. So the authors indicate that the system will be able to influence banking performance mediated by employee performance. So that the authors hypothesize:

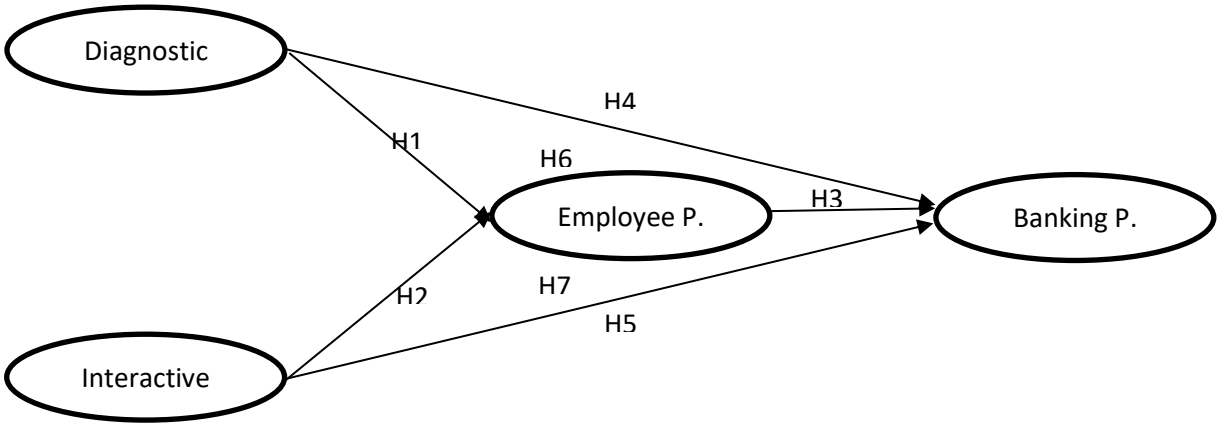
H6: Diagnostic control system influence on banking performance mediated by employee performance.

Interactive control system, banking performance and employee performance

Interactive control system in terms of monitoring performance is recognized in several findings by previous researchers such as (Hernando, 2021; Neldawaty and Hernando, 2021; Simons, 1994; Simons, 1995; Syofyan, et al. 2021; Syofyan and Hernando, 2021). With this monitoring, the organization or company can minimize deviations and errors that occur. This of course will have an impact on the company itself. Then, the role of employees in a company is also a factor that increases the performance of an organization. Employees who are valued by the leadership will be motivated to improve performance and have an impact on the company. And the company will receive profitability and will be distributed back to employees. Based on this, the author hypothesizes that:

H7: Interactive control system influence on banking performance mediated by employee performance

Research model hypotheses



Picture 1: Research Model

RESEARCH METHOD

This type of research uses a quantitative approach. Where, quantitative research is a test of a theory that is processed by statistical processes using research variables (Hartono, 2011). The type of data in this study uses primary data obtained from respondents directly and has not been analyzed or processed by any party. Sekaran and Bougie (2019) also define primary data as information obtained directly by researchers from informants or respondents. Meanwhile, the data sources in this study used primary and secondary sources. Primary sources are defined as data collected from the first party as data sources that have data

(Sekaran and Bougie, 2019). The primary data sources in this study were obtained through individual respondents who had been specifically determined and determined by the researcher regarding the respondent's opinion on the issues in this study. Secondary sources are assessments, summaries or criticisms of a person's work or research, for example: books, journals, magazines, reviews, essays, and anthologies (www.lib.ui.ac.id).

Population and Sample

Population is defined as a group of individuals, events, and things that are of concern to researchers to identify and investigate as well as in making opinions or conclusions based on sample statistics (Sekaran and Bougie, 2019). Population is also related to time, elements, and geographical boundaries (Sekaran and Bougie, 2019). Based on the above, the population in this study are employees who work at companies engaged in the banking financial sector, namely Bank 9 Jambi. Thus, the population of this study is all employees of Bank 9 Jambi with a total of 657 employees. Meanwhile, the research sample is defined as part of the population or a number of members selected from the population (Sekaran and Bougie, 2019). The sample selection method in this study used purposive sampling. Purposive sampling technique is a technique used in this research with the criteria that have been determined by the researcher. Among these criteria are; have work experience of more than 1 year and there is a supervisor who controls the performance. Based on Cohen's table (1992) and according to Hair, et al. (2013) the
number of samples in this study was about 70 with 7 lanes.

Data Collection

Data collection methods are defined as an integral part of a research design (Sekaran and Bougie, 2018). The method used for data collection in this study used a questionnaire. This research questionnaire will be distributed to respondents using a hand delivery system technique because this technique is able to build relationships (chemistry) with respondents rather than the e-mail system, internet system and post system (Hernando, Abdurrahman and Prasetyo, 2020; Hernando, Prasetyo and Abdurrahman, 2020). Then, this questionnaire method is able to motivate respondents, minimize doubts, and can ensure a high response rate from respondents (Sekaran and Bougie, 2018). This questionnaire was built and designed by adopting ex ante and ex post methods to minimize and avoid low response rates from research respondents.

Variable Operational Definition

The study used several variables, including; dependent variable, independent variable and mediating variable. The dependent variable is defined as a variable that is an important concern for researchers to understand and be able to describe its variability (Sekaran and Bougie, 2018). The dependent variable in this study is the company's performance. The company's performance uses eight indicators of questions and statements with a Likert scale of 1-5 which adopts a questionnaire from the research (Sonni, 2013). The examples of questions and statements of research questionnaires are: Friendly service become the company's corporate culture?

The independent variables in this study are the diagnostic control system and the interactive control system. The independent variable is a variable that is able to influence positively and negatively on the dependent variable (Sekaran and Bougie, 2018). The first

independent variable in this study is the diagnostic control system variable which uses four statement and question indicators and adopts a questionnaire from the study (Marginson, et al. 2014) with a Likert scale of 1-5. The examples of questions and questionnaire statements are as follows; Does your leader evaluate the results of your performance? Then, the second independent variable in this study is an interactive control system that uses seven statement and question indicators and adopts a questionnaire from the research (Marginson, et al. 2014) with a Likert scale of 1-5. The examples of questions and questionnaire statements are as follows; Does your leader involve you in discussions at meetings?

The mediating variable is defined as a variable that is present when the independent variable begins to influence the dependent variable (Sekaran and Bougie, 2018). In this study, there is a mediating variable, namely the measurement of financial performance. The mediating variable for measuring financial performance in this study uses nine statement or question indicators and adopts a questionnaire from the research (Hartman, et al. 2010) with a Likert scale, the research questionnaire uses a Likert scale of 1-5. The examples of questions and statements in the questionnaire in this study are: Does your leader generally evaluate your performance which is expressed with quantitative values such as; indicators, production quantities and budget?

Statistical Analysis

The research model was tested using SEM-PLS which is a multivariate analysis technique to test the structural model (Chin, 1998). The main purpose of using this method is to analyze a predictive causality in which the problem is explored in a complex manner and theoretical knowledge is still scarce. The SEM-PLS method itself is a general method for estimating a path model that includes latent constructs indirectly measured by several indicators and structural models that determine the relationship between latent constructs that are estimated together. This analytical technique consists of a measurement model and a structural model (Marginson, et al. 2014; Sholihin, 2013). The selection of the test equipment used is based on a brief rule of thumb such as: there are formative and reflective constructs in the research model, the structural model is relatively complex and the ease of using a relatively small sample size, research is exploratory or an extension of existing theories, and data not normally distributed at a certain level (Hair, et al. 2013).

RESULTS AND DISCUSSIONS

Research Respondent

The respondents used in this study were staff employees at PT Bank Pembangunan Daerah Jambi (Bank 9 Jambi). The operations of this company are engaged in the financial services sector. The research questionnaires were distributed to 100 respondents with consideration of a minimum sample size of 70 and an estimated response rate of 70% of the number of questionnaires distributed. Within the specified deadline, 75 questionnaires were successfully collected, which means the response rate to the research questionnaire was 75%. However, based on the purposive sampling criteria applied, there were two participants who did not pass the purposive sampling criteria. The two participants filled in demographic data for a length of work less than one year, so it could not be used on the grounds that it could potentially cause bias in perceiving their superiors, so that the sample that could be used was

73 respondents or 73% of the questionnaires distributed, meaning that the response rate was in the category good for analysis purposes.

Hyphoteses Testing

The research hypothesis was tested using SEM-PLS which is a multivariate analysis that can test the measurement model and structural model (Hartmann, et al. 2010; Marginson, et al. 2014; Sholihin, 2013). SEM-PLS aims to maximize the variance of the criterion latent variables that can be explained by latent predictor variables, this software can work efficiently with small sample sizes and complex models and can analyze reflective and formative measurement models or measure latent variables with one indicator or manifest without causing identification problems (Sholihin and Ratmono, 2013; Sholihin and Ratmono, 2021).

Convergent validity is determined by the following criteria: First, the outer loading must be greater than 0.7 (>0.7), communality must be greater than 0.5 (> 0.5) and the average variance extracted (AVE) must be greater of 0.5 (>0.5) (Hair, et al. 2013; Hartono, 2011). There are several convergent validity criteria for reflective constructs by assessing whether the outer model meets the requirements, namely: the outer loading must be greater than 0.7 (>0.7) and the p-value is significant if it is less than 0.05 (<0.05) and The discriminant validity tested by loading to another construct (cross-loading) has a lower value than that construct or a value of more than 0.7 (>0.7) in one variable (Hartono, 2011; Sholihin and Ratmono, 2013; Sholihin and Ratmono, 2021).

After normalization using Kaiser Normalization shows that the outer loading is in accordance with the rule of thumb, namely the value above 0.7. Although the value ranges from 0.5 to 0.7 it is still acceptable (Hair, et al. 2013). As in the Interactive 4 variable with an outer loading value of 0.588. which is close to the value of 0.6 and is still acceptable according to the statement of (Hair, et al. 2013). Then the AVE value on the Diagnostic variable is 0.748. and the AVE value on the Interactive variable is 0.853. Next, the AVE value on the Banking Performance variable is 0.570. Even though the AVE value in the Banking Performance variable is 0.570 it is still acceptable because the rule of thumb for the average variance extracted parameter is 0.5. This means that the AVE value on the Banking Performance variable is valid and fulfilled. Finally, the AVE value on the Employee Performance variable is 0.708. Based on this explanation, it is shown that all AVE values in this variable are convergently valid.

The next test is discriminant validity. Based on the results of the warp pls 7.0 test, it is shown that the Diagnostic value of 0.865 is greater than the Interactive, Banking Performance and Employee Performance values in the first row. Likewise, the Interactive value of 0.731 is greater than the Diagnostic, Banking Performance and Employee Performance values in the second row. Then, the Banking Performance value of 0.755 is greater than the Diagnostic, Interactive and Employee Performance values in the third row. Finally, the Employee Performance value is 0.842, which is greater than the Diagnostic, Interactive and Banking Performance values in the fourth row. This indicates that the research data has been met and passed the discriminant validity test.

The next test is done by looking at the results of the value of the reliability test. The technique used in testing reliability in this study uses Cronbach's alpha, which is a method for measuring the internal consistency reliability of multiple item scales (Hartono, 2011). Cronbach's alpha value must be greater than 0.7 (> 0.7). Reliability testing also uses

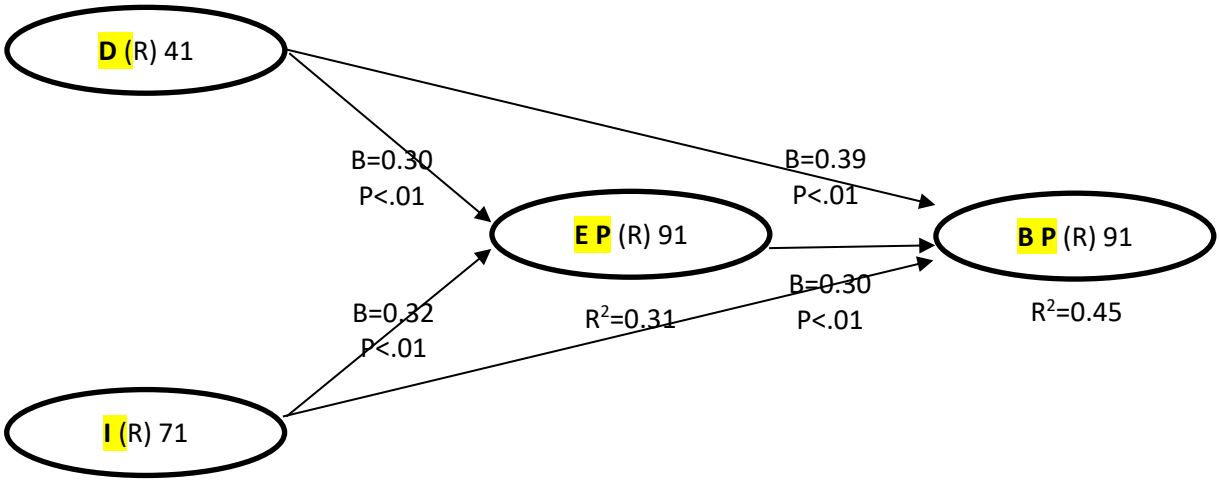
composite reliability, which is measuring the real value of the reliability of a construct with a rule of thumb that must be greater than 0.7 (> 0.7). The results of reliability testing are shown in the table below:

Table 1: Cronbach's Alpha and Composite Reliability

	Diagnostic	Interactive	Banking Performance	Employee Performance
Cronbach's alpha	0.887	0.853	0.809	0.918
Composite reliability	0.922	0.889	0.868	0.963

Source: Data Processed, 2024

The structural model in SEM-PLS is evaluated by using R^2 for the dependent construct, path coefficient values or t-values, each path for the significance test between constructs in the structural model (Hartono, 2011). The value of R^2 is used to measure the level of variation of changes in the independent variable to the dependent variable, meaning that the higher the value of R^2, the better the prediction model of the proposed research model. The coefficient value of the path or inner model shows the level of significance in hypothesis testing. The output of warp pls on hypothesis testing in this study is shown in the figure and table below:



Picture 2: Research Hypothesis Output

Discussion

The results of this study indicate the support of the relationship between the influence of the diagnostic control system on employee performance. These results confirm that employee performance can be influenced by superiors who use levers of control in the diagnostic control system. This is because the diagnostic control system is able to control critical variables of performance and the diagnostic control system has the function of being able to provide motivation, resources and information to ensure that the company's strategy and company goals will be achieved (Saputra, et al. 2019). This statement is also reinforced by (Widener, 2007) that this system also reports information about critical success factors that allow managers to focus their attention on organizational drivers that must be monitored

in order for the company to realize the intended strategy. The motivating function and the function as an organizational driver that makes the diagnostic control system able to influence employee performance. Where in this system employees will be motivated and the organization will always strive to support sustainable performance. So that the combination or combination of employees and organizations certainly affects the performance of the employees themselves and the overall performance of the company.

The results of this study also show the support of the relationship between the influence of the interactive control system on employee performance. These results confirm that employee performance can be influenced by superiors who use levers of control in an interactive control system. Because, interactive control systems are used to control strategic uncertainty and function to focus the organization's attention on these uncertainties and as a learning process so that it can quickly encourage new initiatives and strategies (Saputra, et al. 2019). Then this system not only performs control interactively and has the role of focusing attention, but this system also stimulates search and learning that can generate new strategies to emerge in corporate organizations (Simons, 1995). Based on this, this system is able to control the dynamics of the business environment which is full of uncertainty. Thus, the leadership has the opportunity to be able to implement strategies that encourage the creation of good performance from employees as a shield in the face of uncertain business dynamics. In addition, this system stimulates both the employees themselves and the leadership which directly and indirectly affects the performance of the employees themselves.

The results of this study indicate that employee performance is not able to directly affect banking performance. This result is contrary to previous research and the theory used that banking performance can be directly influenced by the good performance of employees. The results of this study are interesting that not all employee performance indicators are able to have a positive influence on banking performance. There are several factors that can cause employee performance to be unable to affect banking performance, including: First, the organizational culture of Bank 9 Jambi where every employee at the lower level has not yet understood how important their performance is for their own agency. This is reinforced that in general the policy directions used by managers at Bank 9 Jambi are only Top-Down. Thus, employees are not significantly involved in the decision-making process, policies and other important matters. Second, the questionnaire used adopts previous research which is more adapted to companies engaged in the manufacturing and trading sectors. So that when tested in the financial services sector, a pilot test should be carried out on the design of the questionnaire instrument involving two parties, both academics and practitioners. So it is feasible to use if the respondent comes from the financial services sector. Third, the respondents in this study were mostly lower-level employees than upper-middle-level superiors. Fourth, the lack of massive training provided to the staff of Bank 9 Jambi employees so that the employee's sense of belonging to the institution has not been fully felt. These factors are the reasons why the author argues that the performance of the employees tested in this study did not succeed in directly influencing banking performance, even though the theory and results of previous studies state contradictory results from this research. This is what makes this research unique.

The results of this study also show the support of the relationship between the influence of the diagnostic control system on banking performance. These results confirm that banking

performance can be influenced by superiors who use levers of control in the diagnostic control system. Banking performance is measured by several ratios such as: using the Capital Adequacy Ratio (CAR), Biaya Operasional terhadap Pendapatan Operasional (BOPO) or Operating Costs to Operating Income, Loan to Deposit Ratio (LDR), Net Interest Margin (NIM) and Return on Assets (ROA). The increase in the ratio does not appear and without any improvement in the company's system itself. One of the systems in concocting the company's internals to achieve the vision and mission is one of them with a management control system. The implementation of this management control system will certainly guide the company to be able to minimize errors and maximize performance improvement with management weapons. As in the case of the use of levers of control in the diagnostic control system. This system is intended to motivate employees to perform and align employee behavior with organizational goals (Widener, 2007). If the behavior of employees has been aligned with the goals and objectives of the organization, it will have an impact on the performance of the company itself. So that the diagnostic control system is needed to be able to improve the performance of the banking system itself.

The results of this study indicate the relationship between the influence of the interactive control system on banking performance. These results confirm that banking performance can be influenced by superiors who use levers of control in an interactive control system. Banking performance reflects the performance of employees and leaders. The role of leadership in managing and controlling employees certainly affects the performance of banking which comes from the increase in the performance of the employees themselves. The interactive control system which is the dimension of the management control system from the levers of control is a formal system that can be relied on by company leaders to be able to involve themselves in the activities of subordinates (Hernando, 2020; Simons, 1995; Tessier and Otley, 2012). The involvement of the leadership in all activities of subordinates in the company will increase the sense of respect and increase the sense of togetherness that causes the banking performance to increase.

The results of this study do not support the hypothesis that the diagnostic control system affects banking performance which is mediated by employee performance. These results explain that banking performance cannot be mediated when influenced by the diagnostic control system. The diagnostic control system variable only affects the dependent variable directly, such as the findings (Marginson, et al. 2014) which explains that the two dimensions of levers of control in both the diagnostic control system and interactive control systems affect performance and psychological empowerment. Some findings also do not show that diagnostic control systems are able to affect banking performance which is mediated by employee performance. So far, the results of several studies have shown that diagnostic control systems are only able to directly affect company performance and employee performance.

The results of this study do not support the hypothesis that interactive control systems affect banking performance mediated by employee performance. These results explain that banking performance cannot be mediated when influenced by an interactive control system. In line with (Hernando, Abdurrahman and Prasetyo, 2020; Hernando, Prasetyo and Abdurrahman, 2020; Marginson, et al. 2014) that the levers of control dimension in the

interactive control system is only able to directly affect performance. In line with previous research (Hernando, 2020; Hernando and Sholihin, 2017) shows that the levers of control dimension in an interactive control system is only able to affect performance if it is combined with a performance measurement system both on financial performance and on non-financial performance.

CONCLUSSION AND SUGGESTION

Conclussion

Diagnostic control system is able to affect employee performance. Company leaders can implement a diagnostic control system to motivate employees which has an impact on improving employee performance. Interactive control systems are able to affect employee performance. Thus, company leaders should consider the use of interactive control systems as a management tool in improving employee performance. Because, by interacting in the activities carried out by employees, it will be able to give a sense of respect and self-confidence for the employees themselves. This will motivate employees to work hard and well. Employee performance is not able to significantly affect banking performance. This can be used as a reference for company leaders to be able to improve or improve employee performance. So, this is an important note for company leaders who have to manage and organize their employees to be able to produce good performance. So we need a strategy that must be adapted to the characteristics of the employee and the position of the employee. Don't forget to keep giving rewards and punishments as material for evaluating their performance. And always provide training to be able to update the latest knowledge and the latest regulations according to the field of discipline or expertise. To maintain the resilience of the banking industry, the Financial Services Authority or (OJK) continuously strives to improve risk mitigation by continuously improving the quality of supervision accompanied by strengthening regulations, while maintaining the security and quality of services in the financial services sector to consumers. On the other hand, the management of banking companies needs to carry out internal strengthening strategies such as implementing a management control system so that they are able to control strategies in dealing with possible changes. Management control system to be able to control strategy in dealing with possible changes (Manggu and Dewi, 2019). So that employee performance will increase in line with the implementation of the management control system which directly and indirectly affects the performance of the banking system itself.

Diagnostic control system is able to significantly affect banking performance. Because, the diagnostic control system is a formal feedback system that is used to monitor organizational results and avoid deviations in accordance with established performance standards. Therefore, this system can be considered by the organization to be implemented. Likewise, in financial services sector organizations such as banking, respondents agreed to the questions and statements posed in the questionnaire. Thus, in improving the performance of banking, the diagnostic control system must and must be implemented.

Interactive control system is able to significantly affect banking performance. Typical of this system is not only interactive control and has the role of focusing attention, but this system also stimulates search and learning that can generate new strategies to emerge in the company organization. In addition, interactive control systems are used to control strategic

uncertainty and function to focus the organization's attention on these uncertainties and as a learning process so that it can quickly encourage new initiatives and strategies. The point is that the interactive control system is very feasible to be applied to an organization including financial services sector organizations such as banking.

Employee performance cannot mediate the relationship between the diagnostic control system and banking performance. The lack of success of employee performance in mediating the relationship between the influence of the diagnostic control system needs to be reviewed whether there are weaknesses on the employee's performance side. Or, the magnitude of the influence of the relationship between the diagnostic control system on banking performance.

Employee performance is not able to mediate the effect of interactive control systems on banking performance. The success of employee performance in mediating the relationship between the influence of the interactive control system needs to be reviewed whether there are weaknesses on the employee's performance side. Or, the magnitude of the influence of the interactive control system relationship on banking performance.

Suggestion

To improve banking performance, the company must improve the diagnostic control system and interactive control system by way of the leadership in the company must focus on the management control system in the form of levers of control. The tabulation of the results of this study contains indicators of questions or statements that do not meet the criteria of validity and reliability.

This research can be continued with research using qualitative methods, to dig deeper into the reasons why employee performance is unable to mediate. This research can be continued to enlarge the research sample with the stratified method based on the location of the branch office. This research needs to be tested again on the sample in the non-bank sector.This research needs to be developed on two levers of control systems, namely the belief system and the boundary system

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