

The Effect of Human Resource Quality and Budgeting Participation on Organizational Culture and Organizational Performance

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Abstract

This research aims at understanding the effect of human resource quality and budgeting participation on organizational culture and organizational performance. The sample of research undergoes 126 respondents from 42 Organization of Regional Devices in Tabanan Regency, Bali, Indonesia. This research used SEM analysis of Partial Least Square (PLS). The result show that (1) the quality of human resources has a significant positive relationship with the performance of the organization of the regional apparatus, (2) the participation of budget compilation has no significant positive effect on the organizational culture, (3) the quality of human resources has a significant positive effect on organizational performance (4) the participation of budget compilation has a significant positive influence on the performance of organization of regional apparatus (5) organizational culture has a significant positive effect on the performance of organization, (6) human Resource quality has a significant relationship with the performance of Regional Device Organization through culture organization, (7) budgetary participation on the performance of Regional Devices Organizations through organizational culture.

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INTRODUCTION

The performance of the government apparatus is a system that aims to assist the boss in assessing the achievement of a strategy through financial and non-financial measurement tools, where performance can be measured from the extent of performance capability in achieving budgeted targets. Performance measurement covers a variety of aspects so as to provide efficient and effective information in achieving their performance. In accordance with, the performance approach used in the preparation of the budget, any planned allocation of costs should be linked to the level of service or outcomes expected to be achieved.

Achieving good performance in each the Regional Deviance Organization (OPD) cannot be separated from several factors, namely the effect of human resource quality owned by the OPD. Human resource quality is the ability of human resources to carry out the duties and responsibilities that are given to him with the provision of education, coaching, and sufficient experience (Kharis, 2010; Rafiei & Davari, 2015). The quality of human resources is a serious problem when it is associated with the performance of the local government which is still considered low. Human resources are very important for every organization, so it needs to be

managed, regulated and utilized in order to function productively to achieve organizational goals, as well as human resources owned by an organization needs to be managed professionally in order to realize the balance between the needs of employees with the demands and capabilities organization. Human resources in an organization is a very important determinant of the effectiveness of running activities within the organization. Therefore, in good local financial management, the Regional Deviance Organization (OPD) must have qualified human resources, supported by educational background, often attended education, training and have experience in finance (Wansyah & Darwanis, 2012; Gomes et al., 2013).

In addition, the variable quality of human resources potentially affects to the performance are participating in the preparation of OPD budget. Participation in OPD budget formulation is an approach that generally can improve OPD performance which in turn can improve organizational effectiveness. Brownell & McInnes (1986) mentioned that high participation in budgeting improves managerial performance. In public sector organizations, Sardjito & Osmad (2007) mentioned that the higher the budget participation, the greater performance of local government apparatus. While Restu (2012), in his research also stated that the participation of budget preparation has a significant positive effect on the performance of regional government OPD. Zein (2016) in the results of his research states the participation of budget preparation has a positive and significant effect on the performance of regional organization (OPD). Moreover, Tarigan (2015) stated that budgeting participation has a positive and significant effect on the performance of managerial performance of Organization of Regional Devices (OPD). Similarly Riawan (2016); Wibowo & Handayani (2017) also revealed that the quality of budget planning has an effect on the performance of the organization of regional apparatus (OPD).

The quality of human resources and the participation of budgeting, OPD performance can be affected by organizational culture. From several research results related to organizational culture, it is stated that the cultural dimension has an influence on organizational performance (Aluko, 2003; Restu, 2012; Zein, 2016; Prihono et al., 2016. Organizational culture is a very important component in improving the performance of the apparatus. Restu (2012) revealed that high organizational culture has moderated effect to budgetary participation on the performance of the Organization of Regional Devices (OPD). This means that organizational culture affects the performance of the Apparatus Organization (OPD). Similarly, Zein (2016) mentioned that organizational culture to moderate the effect of budgeting participation on the performance of the Organization of Regional Devices (OPD). This means that organizational culture affects to the performance of the apparatus (OPD). Furthermore, Aluko (2003); Wambugu (2014); Prihono et al. (2016) stated that organizational culture has a positive effect on employee performance.

However, the organizational culture can be affected by the quality of human resources and the participation of budget preparation. Some studies suggest that the quality of human resources has effect on the organizational culture. More detail Aluko (2003) stated that the quality of human resources (HR management practices) has a positive and significant effect on organizational culture and organizational performance, as well as Becker & Gerhart (1996); Delaney & Huselid (1996) the quality of human resources affects the organizational culture. Whilst other stated that the participation of budget preparation affects to the organizational culture (Ajibolade & Akinniyi, 2013). More detail, participative budgeting has directly effect to the organizational culture and managerial performance. Similarly, (Ajibolade & Akinniyi, 2013) mentioned that organizational

culture has moderate effect on budgetary participation on managerial performance, this means that there is effect of budgetary participation on organizational culture.

In relation to the participation, Siegel & Marconi (1989); Mentari & Suardana (2016) stated that the participation of managers in budgeting can lead to initiatives for them to contribute ideas and information, enhance unity and belonging so that cooperation among members in achieving goals has increased. That way it can be stated that with the participation of local government officials in budgeting can hone their knowledge about the budget and able to provide information to the public about the budget prepared by the government. Rokhman (2017) pointed that the level of involvement and effect of subordinates to decision-making in the budgeting process is a major factor for distinguishing between participative and non-participative budgets. Participatory budgets will increase the participation of the implementers, increase the level of aspirations, and increase the motivation that will ultimately bring a positive effect on organizational performance.

Organizational culture is often used as a tool determinant and key to success or failure in achieving organizational business strategies. An efforts to improve organizational performance require the existence of a standard reference imposed by the organization that systematically guides its members to increase work commitment to the organization. The assumption is simple, that a group of people living in togetherness will have value and be implemented together. With such shared values, within the organization each member believes and trusts each other, that each works within the same organizational culture and moves in tune. Such cooperation is cooperation aimed at achieving the objectives by following the pattern of interaction between each individual or group. The pattern of interaction is aligned with certain rules, norms and values as defined by the organization. The whole pattern of interaction will form a common habit or form an organizational culture. Organizational theory attempts to explain or predict how the organization and its people behave within the organizational, cultural and environmental structures.

Local Government Organization is an institution that runs government wheels that source of legitimacy comes from the community. Therefore, the trust given by the community to the government organization must be balanced with good performance, so that the service can be improved effectively and to touch on. In line with the increasing knowledge of the community and the effect of globalization which is demand openness, the old patterns of government administration are no longer suitable for the changing society order. This resulted in the increasingly demanded local government to improve its performance in order to provide services to the community.

METHOD

The population in this study is Budget Users, all Financial Administration Officials (PPK) and Existing Treasurer in Organization of Regional Devices (OPD) in Tabanan, Bali, Indonesia. There are as many as 42 OPD in Tabanan studied and each OPD is taken three people (Budget User, KDP and Treasurer) then the number of population is 126 respondents. Data collection method used in this research is observation, questionnaire, and in-depth interview. In this research used structural equation model (SEM) with alternative Partial Least Square PLS (component-based SEM). Using Smart PLS technique that specifies the relationship between latent variables with the indicator and the relationship between latent variables. More specifically, the relationship between variables illustrates in figure 1.

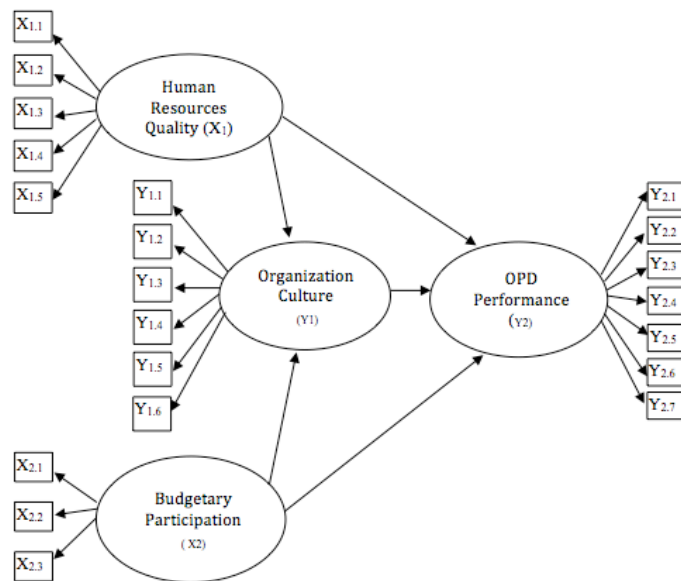


Figure 1. The relationship between variables research

RESULTS AND DISCUSSION

The number of respondents are dominated by male gender financial managers as much as 66.7 percent. While financial managers with female sex is about 33.3 percent, It proves that Government of Tabanan District in the appointment of financial management officials are still dominated by men. The number of respondents (financial managers) based on age more dominated by respondents aged more than 50 years by approximately 49 people (38.9 percent). While the number of responses aged less than 35 years and 35 - 40 years are relative small, It is about 16 people (12.7 percent) and 17 people (13.5 percent), respectively. In assessing the model with PLS, start by looking at R-square for each dependent latent variable in Table 1.

Table 1. R-Square

Dependent	R-Square
Organizational Culture	0.791
Performance of Regional Device Organizations	0,857

Based on the calculation result in table 1. it can be seen that R-square value of organizational culture variable is 0.791, that figure can be interpreted that approximately 79.1 percent of organizational culture construct variables is explained by the variable quality of human resources and budgeting participation, while 20.9 percent organizational culture variables explained by variables outside the model. Similarly, the organizational performance of regional apparatus variables 85.7 percent explained by the quality of human resources, the participation of budget preparation and organizational culture, as much as 14.3 percent explained by other variables.

The result of testing the second hypothesis in table 2 shows that the direct effect of human resource quality on organizational culture shows the value of path coefficient of 0.845 with a t-statistical value of 13.315. Thus, it can be stated that there is a significant positive effect of variable quality of human resources to organizational culture. This means that the better the quality of human resources,

the organizational culture will also improve. This shows that hypothesis 1 is accepted.

Table 2. Hypothesis Testing Result (Direct Effect)

Direct Effect	Original Sample (O)	Standar Deviation (STDEV)	T Statistic (O/Sterr)	Description
Human Resource Quality → Org. Culture	0.845	0.055	13.315	Not Sig.
Budgetary Participation → Org. Culture	0.062	0.063	0.995	Sig.
Human Resource Quality → OPD Performance	0.463	0.088	7.290	Sig.
Budgetary Resource Quality → OPD Performance	0.124	0.058	2.138	Sig.
Org. Culture → OPD Performance	0.209	0.088	2.371	Sig.

The result of the third hypothesis test shows that the direct effect of budget participation on organizational culture provides the value of path coefficient equal to 0.062 with t-statistic value equal to 0.995. Thus, it can be stated that there is an insignificant positive effect of the variable of budgeting participation on organizational culture. This means that the better the participation of budget preparation, the organizational culture will also be better or increasing but not significant. This shows that the hypothesis 2 is accepted. The results of the first hypothesis testing showed that the direct effect of human resource quality on OPD performance showed the value of path coefficient of 0.643 with the value of t-statistics of 7.290. Thus it can be stated that there is a significant positive effect of variable quality of human resources on OPD performance. This means that the better the quality of human resources, the performance of OPD will also increase. This means that hypothesis 3 is accepted.

In the fourth hypothesis test illustrates that the direct effect of budget participation on OPD performance shows the value of path coefficient equal to 0.124 with t-statistic value 2.138. Thus it can be stated that there is a significant positive effect of the variable of budgeting participation on OPD performance. This means that the better the participation of budget preparation, the performance of OPD will increase. This shows that hypothesis 4 is accepted. The result of the fifth hypothesis test shows that the direct effect of organizational culture on OPD performance shows the coefficient value of the path is 0.209 with the t-statistic value is 2.371. Thus it can be stated that there is a significant positive effect of organizational culture variable on OPD performance. This means that the better the organizational culture then the performance of OPD will also be increased. This shows that hypothesis 5 is accepted.

The result of the sixth hypothesis test shows that the indirect effect of human resource quality on OPD performance through organizational culture shows the coefficient value of 0.177 with the t-statistic 2.388. Thus it can be stated that there is an indirectly significant positive effect of variable quality of human resources on OPD performance through organizational culture. Furthermore, results of the seventh hypothesis testing show that the indirect effect of budgetary participation on OPD performance through organizational culture shows the value

of path coefficient of 0.013 with t-statistic value of 0.815. Thus it can be stated that there is no indirectly significant indirect effect of the variable of budgeting participation on OPD performance through organizational culture.

Based on the results of hypothesis testing shows that the direct effect of human resource quality on organizational culture shows the value of path coefficient of 0.845 with a t-statistical value of 13.315. Thus it can be stated that there is a significant positive effect of variable quality of human resources to organizational culture. Thus the results of this study in line with the results of research conducted by, Aluko (2003), Becker & Gerhart (1996); Delaney & Huselid (1996) which stated that the quality of human resources affect the organizational culture.

Based on the results of hypothesis testing shows that the direct influence of budgetary participation on organizational culture shows the value of path coefficient of 0.062 with the value of t-statistics of 0.995. Thus it can be stated that there is an insignificant positive influence of the variable of budgeting participation on organizational culture. Thus the results of this study in line with the results of research conducted by, Handayani & Arianti (2010) participative budget directly affect the organizational culture. Resource quality to OPD performance shows coefficient value of path equal to 0.643 with t-statistic value equal to 7.290. Thus it can be stated that there is a significant positive influence of variable quality of human resources on OPD performance. Thus the results of this study in line with the results of research conducted by Andriani (2010); Widyaningrum et al. (2015); Riawan (2016) who stated that the quality of human resources has a positive influence significant to organizational performance (OPD performance). Moreover, budget participation to OPD performance shows coefficient value of path equal to 0.124 with t-statistic value 2.138. Thus it can be stated that there is a significant positive influence of the variable of budgeting participation on OPD performance. Thus the results of this study are in line with the results of research conducted by Brownell & McInnes (1986); Sardjito & Osmad (2007); Restu (2012); Tarigan (2015); Zein (2016) which stated that budgeting participation has a significant positive influence to managerial performance (OPD performance).

Organizational culture on OPD performance showed the coefficient value of 0.209 with the value of t-statistics of 2.371. Thus it can be stated that there is a significant positive effect of organizational culture variable on OPD performance. Thus the results of this study in line with the results of research conducted by, Aluko (2003); Restu (2012); Zein (2016); Prihono et al. (2016) organizational culture has a positive effect on organizational performance. Another result of hypothesis test show that indirect influence of human resource quality to OPD performance through organizational culture show coefficient value of path equal to 0,177 with t-statistic value equal to 2,388. Thus it can be stated that there is an indirectly significant positive influence of variable quality of human resources on OPD performance through organizational culture. Thus the results of this study in line with the results of research conducted by, Becker & Gerhart (1996); Delaney & Huselid (1996) the quality of human resources affect the organizational culture. While Restu (2012), Zein (2016); Prihono et al. (2016) which states that organizational culture has a positive effect on organizational performance. So it can be stated that the quality of human resources indirectly affect the performance of OPD through organizational culture.

Budgeting participation on OPD performance through organizational culture shows the value of path coefficient of 0.013 with a t-statistic value of 0.815. Thus it can be stated that there is no indirectly significant indirect influence of the variable of budgeting participation on OPD performance through organizational culture. Thus the results of this study in line with the results of research conducted by:

Handayani & Arianti (2010) which states participative budget directly affect the organizational culture. Restu (2012); Zein (2016); Prihono et al. (2016) organizational culture has a positive effect on organizational performance. Thus, it can be stated that participation in the preparation of the budget has an indirect effect on the performance of OPD through the organizational culture.

CONCLUSION

Based on the results of the research it can be concluded that the quality of human resources has a significant positive influence on the organizational culture of Tabanan Regency. This imply that the better the quality of human resources, the organizational culture will increase. While participation of budget preparation has a positive effect but is not significant to the organizational culture. The quality of human resources has a significant positive impact on the performance of the organization of the regional apparatus of Tabanan Regency. Furthermore, the participation of budget preparation has a significant positive effect on the performance of the organization of regional apparatus of Tabanan Regency. Organizational culture has a significant positive impact on the performance of the regional organization of Tabanan Regency. The Quality of Human Resources on the performance of Organization of Regional Devices through organizational culture. Participation of budgeting on OPD performance through organizational culture. It can be defined that the better the participation of budget preparation and organizational culture, then the performance of OPD will also be better.

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