

# The Effect of Organizational Culture on Organizational Performance in Government Functional Audit Institutions

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**Abstract--***Organizational management is needed based on trust, especially in public sector organizations in Indonesia, especially professionals (auditors) who need professional skills. This study aims to analyze the influence of organizational culture on organizational performance in the audit function of government institutions. This research uses primary data (March-August, 2017 survey). The population is the representative of the Auditor's Functional Auditing Agency (BPK, BPKP, and Inspectorate) in South Sulawesi. A sample of 160 respondents was selected using a purposive random sampling method with a certain quota. Data were analyzed using SEM (Structural Equation Model) analysis. From the study of the results, it shows that organizational culture (X) for the Organizational Performance variable (Z) was 0.335. The path coefficient score of 0.335 shows the direct influence of organizational culture on organizational performance is 33.5%. A positive sign on the path coefficient of direct impact between organizational culture (X) on organizational performance (Z) shows that the better the organizational culture, the higher the organizational performance of functional audit institutions. It can conclude that organizational culture has a positive and significant influence on the performance of technical organizations of government audit institutions.*

**Keywords--***Organizational Culture, Organizational Performance, Audit Institutions.*

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## I. INTRODUCTION

Since the mid-1980s, public sector management has gone through a fairly drastic change from a traditional management system that left a hierarchical, bureaucratic, and rigid image into a more flexible and more accommodating model for the public sector management market. These changes are not only small and simple changes but have changed the role of government, especially in terms of the relationship between the people and the government itself. The new paradigm that emerges in the public sector is the New Public Management approach (Boyle, 1980s).

The New Public Management Model became known in the 1980s and was popular again in the 1990s experiencing several forms of incarnation, for example, the emergence of the concept of Manager (Aucoin, 1990 and Condrey, 1995). The New Public Management focuses on performance-oriented public sector management, not policy. One model of governance in the New Public Management era is the model of governance brought by Kettl (2000), known as the concept of "reinventing government". In some literary works, the use of the term organizational culture is usually replaced by organizational culture. Both of these terms have the same meaning. Therefore in this study, these two terms are used side by side, and both have the same purpose.

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In the several definitions of organizational culture were proposed by experts. According to Robbins (1998) states that organizational culture or management culture or also known as work culture is the dominant values that are spread throughout the organization and are referred to as the work philosophy of workers. Stajkovic et al.(1997) defines organizational culture as values that guide human resources to handle external problems and adjust business integration into the company so that each member of the organization must understand the importance that exists and how they should act or behave. Robbins (1998) defines organizational culture as a system of shared meanings owned by members that distinguish organizations from other organizations. Besides, Robbins (1998) states that system of shared meanings is formed by its citizens who simultaneously distinguish while it from other organizations. The method of shared meanings is a set of key characteristics of organizational values Axelrod (2004).

Applications in government functional audit institutions are: carefully carried out by auditors in examining the results of the accountability of state financial management supported by evidence (Barney et al., 1981). Results-oriented is the degree to which management focuses their attention on outcomes rather than the techniques and processes used to achieve these results. People-oriented is how far management decisions calculate the effect of results on people in the organization. Boyle (1998) state: "Performance refers to the level of success in carrying out tasks and the ability to achieve desired goals. Performance is said to be excellent and successful if the intended objectives can be achieved well. Birnberg (1998) and Nyhan et al., (1995) states "Performance is defined as a record of the results generated at a particular job function or activity over a specified period. "Furthermore, Stajkovic et al.(1997) states" an outstanding workgroup has leaders who successfully guide and maintain the enthusiasm and motivation of subordinates to achieve the level of productivity deemed necessary by the organization, so their needs are met. "This condition can lead to cynicism, skepticism, and distrust of the assessment given by supervisors. Meanwhile, as an institution, the government functional audit institution must develop a conducive work environment to improve its performance as a form of accountability to the general public. Then an organizational management model is needed to improve the performance (Daley, 1991 and Guthrie, 1997).

This study refers to the New Public Management theory, the theory of David Osborne (1997), namely by proposing a proposition stating that the service process in public sector government organizations to improve organizational performance makes structural changes, cultural, values, and the ability of leaders in government to support innovation creation, maximum public service, transparency, accountability creativity, initiative, adaptation, and teamwork in public services. This study includes organizational culture variables with the proposition that the beliefs and values that develop within an organization will lead the attitudes of its people (Liou et al., 1994). Organizational culture can be the main instrument of competitive advantage. That is if the organizational culture supports organizational strategy, and if organizational culture can answer or handle environmental challenges quickly and precisely by forming interpersonal trust between superiors and subordinates, it can improve organizational performance. This study aims to find empirical evidence about the influence of organizational culture on organizational performance in government functional audit institutions with a new public management approach

(Guthrie, 1997 and Moore et al., 1989).

## **II. METHODOLOGY**

### **a. Research Design**

This research will include in the type of survey research, which is a research method using a questionnaire in gathering primary data, in this case, fundamental data from several population samples. In this study, in-depth interview techniques that apply to complete the required data

### **b. Population and Procedure of Determining Sample**

The study population is a government functional audit agency apparatus consisting of auditors of BPK, BPKP and inspectorates. Meanwhile, the sample of this research will be auditors in the BPK environment representing the Province of Sulawesi, the BPK and the Development and Inspectorate of South Sulawesi. This research is the first research that will examine the role of organizational culture in improving organizational performance through the practice of decision-making and interpersonal trust.

### **c. The procedure of determining sample**

The research data is respondent answer to the research questionnaires instrument. The research questionnaires have collected by distributing questionnaires directly or through contact person. The surveys will spread to the whole functional supervisors of governmental officials (AFFP) in BPK, BPKP, and Inspectorate environment of South Sulawesi.

### **d. Type and Data Resource**

Resource of this research data is a prime data obtained from the government functional audit institution which is the answer of the auditors of the government technical audit institution consists of BPK, BPKP, and South Sulawesi inspectorate upon the research instruments in the distributed questionnaires. Data about the number of auditors who become the analysis unit obtained from the personnel BPK, BPKP, and South Sulawesi Inspectorate as a sample framework.

### **e. Data Analysis**

This research uses multivariate technique Structural Equation Model (SEM), based on the consideration that SEMP can conquer measurement model and structural model simultaneously and efficiently compare to the other multivariate techniques (Hair et al. 1998). Also, the software used to process the data are AMOS 4.00 and SPSS 1.

## **III. RESULTS**

### **a. Direct effect**

Direct effect path coefficient organizational culture (X) to decision-making practice (Y1) is equal to 0,376. This path coefficient score shows the magnitude of the immediate effect of organizational culture on the decision-making practice is same to 37.6%. The positive sign on the direct path coefficient between organizational culture

variable (X) on the decision-making method (Y1) indicates that the better the organizational culture, the higher the involvement of decision-making practice in the functional audit institution of the government which are BPK, BPKP, and inspectorates.

On the direct path coefficient, organizational culture (X) to interpersonal trust variable (Y2) is equal to 0.278. The path coefficient score of 0.278 shows the magnitude of the direct effect of organizational culture on interpersonal trust is 27.8%. The positive sign of the direct path can increase the coefficient between organizational culture variable (X) on interpersonal trust variable (Y2). It has indicated that the better the organizational culture, the higher the interpersonal trust or will create a kind and harmonious relation on the functional organization audit of the government among a superior, subordinates and co-workers.

Furthermore, it has obtained that the linear effect path coefficient of organizational culture (X) to variable Organizational Performance (Z) is equal to 0.335. Path coefficient score of 0.335 shows the magnitude of the direct influence of organizational culture on organizational performance is by 33.5%. A positive sign in the direct path coefficients between variables influence organizational culture (X) on organizational performance variables (Z) indicates that the better the organizational culture will lead to higher organizational performance on the functional audit organization.

The direct effect path coefficient score of decision-making practices (Y1) to variable Organizational Performance (Z) is equal to 0.445. Path coefficient of 0.445 shows the magnitude of the direct influence decision-making practices to organizational performance is equal to 44.5%. A positive sign in the immediate effect path coefficient of the decision-making practices (Y1) on organizational performance variables (Z) indicates that the higher involvement in decision-making practices of the organizational performance, the better the functional audit institution.

Influence of the direct effect path coefficient of Interpersonal trust (Y2) to variable Organizational Performance (Z) is equal to 0.121. Path coefficient score of 0.121 shows the magnitude of the direct influence of interpersonal trust on organizational performance was 12.1%. A positive sign on the direct effect path coefficient between interpersonal trust variable (Y2) on organizational performance variables (Z) indicates that the more interpersonal trust that occurs between superiors, co-workers, the better the performance of the organization at the functional audit institutions.

#### **b. Indirect effect**

The indirect effect is the effect of the independent variable on the dependent variable by passing through other variables as variables in between. The indirect impact will strengthen or weaken the relationship between the two variables connected. The indirect effect coefficient on each track that has an intermediate variable is the result of multiplying the standard regression coefficient of each relationship on the road. The indirect influence of organizational culture (X) on organizational performance (Z) through the practice of decision-making (Y1) and interpersonal trust (Y2) is equal to 0.361. Figures 0.361 indicates that organizational culture can improve organizational performance by 36.1% if the subordinate staff involved in the practice of decision-making, and established a harmonious relationship between fellow workers and the boss

### c. Total Influence

According to the influence of direct and indirect connection, overall control between research variable counted by adding up the whole magnitude of the impact of direct and indirect between research variable. Organizational culture total weight (X) and decision-making practice (Y1) is 0,697. The number 0,697 shows that organizational culture and decision-making practice is influential to organizational performance equal to 69.7%

This research has found that organizational culture gives positive influence and signification to organizational performance. Explain that organizational performance depends on organization practice. When organizational culture is conducive and comfortable, the organizational performance will increase, when organizational culture is not favourable, the return will decrease. It can suppose to be considered by policymakers, so the practice with institutional and professional approach noted so organizational performance could be maintained.

The effect of organizational culture on organizational performance in this research with the theoretical concept, which becomes the reference in this research that explain in organization practice diagnoses. The better quality factors in organizational culture, the better managerial or organizational performance. The implication of this research is the regulatory culture factor is one of the variables that determine the low and high of organizational performance in functional audit institutions (BPK, BPKP and Inspectorate). In other words, organizational culture is essential to be considered or used as one of instrumental policy in increasing organizational performance, especially to government functional audit institutions. This research supports research by Djokosantoso (2003), that examined organizational culture variable to organizational performance in the non-profit company by using simple regression analysis instrument, O'Reilly, C.A et al., (1989), Udan Bintoro, (2002).

Experimental factors on the field explain that organizational culture in government functional audit institution which creates from tasks and responsibility is quite good however in fact, some organizational culture indicators can not be fulfilled by operational audit institutional. The result of the research shows that organizational culture has a positive and significant influence on decision-making practice. Means that conducive organizational culture can increase auditor decision-making practice in South Sulawesi government representative functional audit institutions. Accordance with theoretical development new public management by David Osborne (1992) that organizational culture related to institutional professional and personal professional. The research also, compliance with the investigation by Nurhikmah (2002) in Center Java BPKP, which said that organizational culture has an essential role in increasing decision-making practice particularly in employees participation, empowering subordinates and employees feedback.

The implication of this research is the factor of organizational culture is one of the variables that can influence decision-making practice government audit institutional. In other words, organizational culture is essential to be considered or used as one of instrumental policy in increasing organizational performance, especially to government functional audit institutions. A pleasant and conducive organizational culture realize because there is a good relationship among the employees, whether by doing it individually or as a team. It has supported by a clear mission, a goal to reach, target, and indicator of achievement with a clear plan. The signification of the influence of this research which is explained in organizational culture diagnose model shows the better quality of factors, the

better the performances

#### IV. CONCLUSION

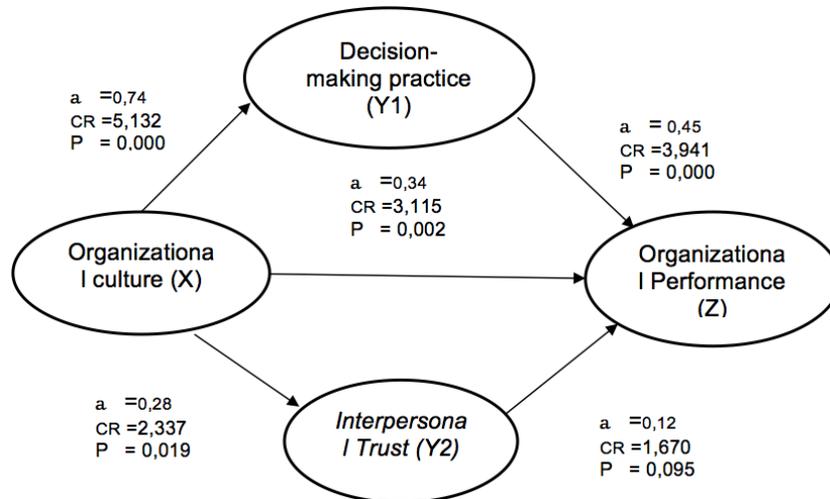
According to the discussion that has explained in the previous chapter, so it can conclude that organizational culture has a positive and significant influence on organizational culture in government functional audit institutional. It shows that public sector organizational culture that is bridged by professional institutional and a professional person can increase public sector organizational performance, particularly in South Sulawesi government’s representative functional audit institutional. It recommended that this organizational culture that has a positive and significant influence on organizational performance. It can be a referral or reverence in managing public sector organization.

#### Attachment

**Tabel 1**The Magnitude of Direct, Indirect dan Total Effect

No	Effect Path	Direct Effect	Indirect Effect	Total Effect	Comparison
1	X → Y1	0,376	0,000	0,376	TE = DE
2	X → Y2	0,278	0,000	0,278	TE = DE
3	X → Z	0,335	0,361	0,697	TE > DE
4	Y1 → Z	0,445	0,000	0,445	TE = DE
5	Y2 → Z	0,121	0,000	0,121	TE = DE

Source : Primary data, 2017



**Figure 1.** Model SEM

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