

The Effect of of Organizational Culture, Business Strategy and Usefulness of Management Accounting Systems on Organizational Performance

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Abstract

This research was conducted to examine the effect of organizational culture, business strategy, and usefulness of management accounting system to organizational performance. Data collection using the survey method. Analysis of this research data using a structural equation model – PLS on 102 supervisor or head of division of manufacturing companies in West Java. Statistical analysis technique using SEM because of the causal relationship between variables. The results showed that organizational culture has a significantly positive effect on organizational performance, business strategy has a significantly positive effect on organizational performance, and usefulness of management accounting system has a significantly positive effect on organizational performance.

Keywords: *Organizational performance, organizational culture, business strategy, usefulness of management accounting system*



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INTRODUCTION

Organizational execution has gotten to be the foremost critical issue for each organization, both benefit and non-profit, it is exceptionally critical for supervisors to know what variables influence organizational execution in arrange to require the proper steps to form choices (Abu-Jarad et al, 2010). According to Basri, Faisal as an economist at the University of Indonesia (2018) stated that the performance of the Indonesian manufacturing industry continues to decline from year to year and the manufacturing industry in Indonesia is experiencing a period of sluggishness. In fact, this sector provides a large enough contribution to the country and this industry is considered to have a large contribution to state tax revenue. According to Sulistyaningsih, Lana as an economist at the University of Indonesia (2019) stated that the manufacturing industry sector is considered to need to increase the number of breakthroughs in the midst of increasingly fierce competition with business actors in the Asian region. Innovation through the use of technology and production process efficiency will be the key to strengthening the competitiveness of the domestic manufacturing industry. Currently every company operates in a business environment characterized by rapid change and increasing competitiveness, to deal with the changing business environment, organizations need strategy, namely by making a combination of new things for the organization (Anwar et al, 2016). The main purpose of strategy is to improve organizational

performance (Zott & Amit, 2008). Increasing market share and competitive advantage depends on the various strategies and practices used by the company (Saeidi et al, 2013).

To increase market share and competitive advantage, every business organization needs effective managers to succeed in business organizations (Bhardwaj et al, 2013). An organization must carry out managerial functions, namely planning (planning), organizing and directing, controlling (supervision), decision making (Kusuma et al, 2013) . One of the tools used by management to face business competition is the management accounting system (Sulaiman & Ghanem, 2016). Management accounting systems are often combined with information about events, locations, and the success of management accounting change to provide some analytical insight into organizational change (Sulaiman & Mitchell, 2005). In an organization using the information provided by managers can help employees to adopt and implement plans in response to their competitive environment (Gnawali, 2017). A well-designed and appropriate administration bookkeeping framework can offer assistance directors make choices more effectively, thereby helping organizations improve efficiency and remain competitive in a constantly challenging environment that aims to improve organizational performance (Sulaiman & Ghanem, 2016).

Improved organizational performance also depends on the extent to which cultural values are widely shared (Agbejule, 2011). Organizations are required to have a solid culture, which, when shared broadly among representatives, is considered a force whose cultural values can predict future organizational executions (Lee & Yu 2004). A solid organizational culture incorporates a positive effect on worker execution, loyalty and commitment that leads to competitive advantage, excellent service, organizational success or effectiveness (Kusluvan, 2003 : 470). A strong organizational culture is said to be very important for organizations because of three functions: first, organizational culture is strongly tied to social control that can influence employee decisions and behavior. Second, organizational culture serves as a social glue to bind employees together and make them feel a strong part of the company experience, which is useful for attracting new staff and maintaining top performance. Third, organizational culture is very useful for helping employees to understand organizational events and goals, which increases the efficiency and effectiveness of employees (Shahzad et al , 2012).

LITERATURE REVIEW

Organizational Performance

That performance refers to the level of achievement of the mission in the workplace that builds work (Shahzad *et al*, 2012). Organizational execution is the organization's capacity to attain its objectives by utilizing assets effectively and successfully (Abu-Jarad *et al*, 2010). Organizational performance is a combination of survival and success in an organization (Ahmed & Shafiq, 2014). Kung *et al* (2013) stated that organizational performance refers to the performance of managers in their decision-making capacity. The dimensions used are financial perspective, customer perspective, internal business perspective (Ahmed & Shafiq, 2014). The money related point of view is how we ought to see to our shareholders to succeed financially. The customer perspective is how we should appear to our customers to achieve our vision. The internal business perspective is what steps are taken in the business process to satisfy shareholders and customers. The learning

and growth perspective is how we will maintain and improve our ability to change and to achieve our vision.

Organizational Culture

Organizational culture could be a set of values, beliefs, and understandings that are shared by the organization (Abu-Jarad *et al*, 2010). Another definition of culture may be a set of different values and behaviors that can be considered as guidelines for success, in simple words we can understand that culture is acquired of knowledge, explanation, values, beliefs, communication and group behavior, at the same time and place (Shahzad *et al*, 2012). Organizational culture is defined as a system of assumed values, norms, and attitudes that are embodied through symbols that have been developed and adopted by members of the organization through shared experiences (Janićijević, 2012). Organizational culture has a profound impact on employee performance which can lead to an increase in productivity and improve organizational performance (Shahzad *et al*, 2012). A solid culture leads to worker commitment and inspiration. In this point of see culture could be a deciding figure in building outstanding performance that characterizes successful organizations (Hartnell *et al*, 2016). Organizational culture can increase job satisfaction, problem solving awareness, and organizational performance (Ahmed & Shafiq, 2014). If the organizational culture does not match the expectations of internal or external stakeholders then the success of the organization will decrease, as has happened in some organizations (Ernst, 2001). The dimensions used are power distance, individualism versus collectivism, masculinity/femininity, uncertainty avoidance (Abu-Jarad, 2010), (Shahzad *et al*, 2012), (Ahmed & Shafiq, 2014). Power distance refers to the degree to which people accept the often unequal distribution of power. Individualism is where people place an emphasis on protecting themselves and their families, whereas collectivism is where people need other people to care for them and protect them. Masculinity represents a preference for achievement, heroism, assertiveness and material rewards for success while femininity is a preference for cooperation, emotion, helping the weak. Uncertainty avoidance is where a person feels threatened by an unknown situation and tries to avoid it. Therefore, the researcher retested the hypothesis understood in this study, namely that :

H1. Organizational culture has a positive effect on organizational performance

Business Strategy

According to Thompson *et al* (2014: 121) explains that business strategy is how an organization positions its business more competitively compared to other similar industries. Business strategy is concerned with arranging from administration to compete effectively i.e. particular endeavors to serve clients, fortify showcase position, confront competitors, react to changes in showcase conditions, and to realize certain sorts of qualities. Trade technique is the result of choices made to lead an organization with regard to the encironment, structure, and forms that influence its organizational execution (Croteau & Bergeron, 2001). Another understanding of business strategy according to Warren *et al* (2012 : 5) is a plan designed for a company as a way to gain profits over its competition as well as to maximize profit. Intense competition motivates organizations to seek competitive advantage and they consciously identify and formulate their goals before they make decisions and implement any action (Bhimani & Langfield-Smith, 2007). The more specific the type of business strategy adopted by an organization, the better the

organizational performance (Croteau & Bergeron, 2001). The dimensions used are prospector, defender, analyzer, reactor (Miles *et al*, 1978), (Croteau & Bergeron, 2001), (Anwar *et al*, 2016). Prospector is a company strategy that continuously seek market opportunities by competing through new products . Defender is the company's strategy to operate in a relatively stable production area, the products offered are limited compared to its competitors . Analyzer is a combination of prospector and defender . The company operates in two types of market products which are relatively stable and keep changing . Reactor is a corporate strategy in which top managers often accept changes and uncertainties that occur in the organizational environment, but do not respond effectively to changes. Therefore, the researcher retested the hypothesis understood in this study, namely that :

H2. Commerce methodology encompasses a positive impact on organizational execution

Usefulness of Management Accounting System

The control and decision-making functions with the management accounting system are the basis for improving company performance (Heryanto & Sudibyo, 2017). The management accounting system is a key service in most organizations because it provides useful information for an organization (Ghasemi *et al*, 2016). Organizations use management accounting systems to help managers make decisions that reflect organizational targets (Sulaiman & Ghanem, 2016). A administration bookkeeping framework is the method of measuring, analyzing, and detailing money related and non-fincancial data that makes a difference supervisors make choices to meet organizational objectives. Supervisors utilize administration bookkeeping data to: create, communicate and execute techniques, facilitate item plan, generation, and promoting choices and assess company execution and administration bookkeeping frameworks are esteem included to an organization, so the extreme accomplishment of comes about and execution (Soobaroyen & Poorundersing, 2008). Organization operate more effective when they apply and utilise system accountancy appropriate management with condition environment (Ghasemi *et al*, 2015). The utilize of administration bookkeeping framework with a wide scope such as inside, outside, budgetary and non-financial data makes strides the execution of an organization(Al-Mawali,2013). The dimensions used are broad scope, timeliness, aggregated, integrated (Bani-Hani, 2020), (Mohamad *et al*, 2015), (Ghasemi *et al*, 2019), (Agbejule, 2011), (Soobareyon & Poorundersing, 2008), (Chenhall & Morris, 1986). Broadscope focuses on pertinent information from inside and outside the organization (economic factors, technology, markets). Timeliness is the frequency of providing information to managers and the time difference between the request for information and the availability of information. Aggregated is the dimension of information collected containing information that is summarized by function, time period and summarized informed decision model based on function, time period and decision model . Integrated is integrated information reflecting the coordination between various sub-departments. Therefore, the researcher retested the hypothesis understood in this study, namely that :

H3 Convenience of administration bookkeeping framework contains a positive impact on organizational execution

RESEARCH METHODOLOGY

This study uses primary data, namely data in the form of respondents' answers, which were collected through surveys by distributing questionnaires via google link. The population in this study are supervisors who are in West Java manufacturing companies. The reason for choosing supervisors in West Java is because West Java is one of the largest provinces in Indonesia. The reason why choosing a manufacturing company is used in this study because it is a company that produces raw materials into finished products, so manufacturing companies are needed to carry out the latest innovations on products provided to consumers in order to generate profits that can improve company performance. Because the population in West Java cannot be known, the minimum sample size cannot be calculated accurately, therefore with a sample ranging from 100 according to Hair *et al* (2010) is sufficient to provide valid results. The questionnaire survey was given to the supervisor personally. Collecting data using the snowballing technique, namely by distributing questionnaires to supervisors who are known to the researcher and then asking for their help in distributing questionnaires to supervisors in their companies and supervisors in other manufacturing companies who are their acquaintances. Respondents in this study were 102 respondents consisting of 39 manufacturing companies in West Java. The data analysis method used in this study is the structural equation model (SEM) using a variant-based technique, namely Partial Least Square (PLS). SEM PLS is used because it is used to analyze causal relationships between factors, and each variable included is considered a variable that cannot be watched straightforwardly.

RESULTS

In this segment, we will see the comes about of information preparing utilizing halfway slightest squares. The path diagram model below illustrates the influence of organizational culture, business strategy, the use of management accounting systems on organizational performance.

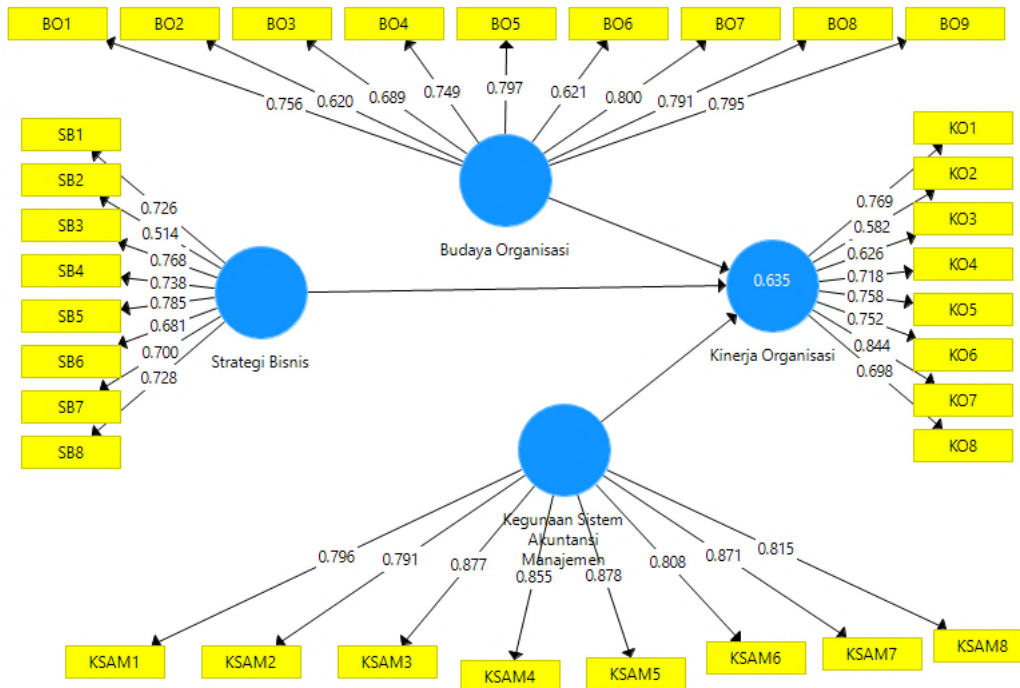


Figure 1 : Path Model

Evaluation of Loading Factor

Agreeing to Hair *et al* (2014 : 605) in case the show variable contains a calculate stacking esteem of less than 0.50, it is recommended that the manifest variable be removed from the model. It can be seen in figure 1 that all indicators have a loading factor greater than 0.5, so it can be concluded that all indicators are valid for measuring latent variables.

Evaluation of Average Variance Extracted

	<i>Average Variance Extracted (AVE)</i>
Organizational Culture	0.545
Organizational Performance	0.522
Usefulness of Management Accounting System	0.701
Business Strategy	0.503

According to Hair *et al* (2014) the average variance extracted (AVE) value > 0.5 means that the indicator is valid as a measuring tool for the measured variables. From the table above, it can be seen that the AVE esteem is over 0.5, this implies that all idle factors utilized in this think about are substantial since they have met the prescribed AVE esteem (> 0.5).

Evaluation of Cross Loading Between Construct

Cross Loadings	Organizational Culture	Organizational Performance	Uses of Management Accounting System	Busines Strategy
B01	0.756	0.515	0.268	0.373
B02	0.620	0.497	0.289	0.349
B03	0.689	0.452	0.339	0.337
B04	0.749	0.515	0.320	0.457
B05	0.797	0.653	0.457	0.555
B06	0.621	0.447	0.327	0.425
B07	0.800	0.503	0.401	0.487
B08	0.791	0.552	0.397	0.493
B09	0.795	0.553	0.364	0.517
K01	0.630	0.769	0.464	0.617
K02	0.309	0.582	0.420	0.419
K03	0.318	0.626	0.437	0.496
K04	0.426	0.718	0.497	0.659
K05	0.581	0.758	0.554	0.561
K06	0.613	0.752	0.327	0.433
K07	0.697	0.844	0.356	0.518
K08	0.418	0.698	0.312	0.403
SB1	0.360	0.458	0.446	0.726
SB2	0.174	0.289	0.317	0.514
SB3	0.389	0.478	0.577	0.768
SB4	0.430	0.515	0.491	0.738
SB5	0.569	0.563	0.557	0.785
SB6	0.421	0.502	0.400	0.681
SB7	0.529	0.556	0.444	0.700
SB8	0.460	0.621	0.505	0.728
KSAM1	0.476	0.500	0.796	0.634
KSAM2	0.357	0.396	0.791	0.504
KSAM3	0.348	0.447	0.877	0.562
KSAM4	0.311	0.433	0.855	0.533
KSAM5	0.356	0.460	0.878	0.486
KSAM6	0.346	0.446	0.808	0.463
KSAM7	0.494	0.586	0.871	0.611
KSAM8	0.466	0.574	0.815	0.616

According to Hair *et al* (2014 : 105) the existence of a cross loading that is greater than the outer loading indicates a discriminant validity problem. The loading factor value of each construct (latent variable) with its own indicators is higher than the indicators on other latent variables. This data shows that the indicator has a stronger relationship with the construct itself than with other constructs.

Evaluation of Fornell-Larcker Criterion

<i>Fornell-Larcker Criterion</i>	Organizational Culture	Organizational Performance	Uses of Management Accounting System	Business Strategy
Organizational Culture	0.738			
Organizational Performance	0.712	0.723		
Uses Management Accounting System	0.480	0.584	0.837	
Business Strategy	0.608	0.719	0.666	0.709

The Fornell-Lacker criterion is the square root of the AVE. According to Hair *et al* (2014 : 105) if the square root of the AVE is smaller than the correlation value between latent variables, it indicates that there is a discriminant validity problem. The square root of the AVE of each latent variable is still greater than its correlation with other latent variables. These data indicate that the latent variable has a stronger relationship with its own indicators than the other latent variables.

Evaluation of Composite Reliability and Cronbach Alpha

	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>
Organizational Culture	0.894	0.915
Organizational Performance	0.867	0.896
Usefulness of Management Accounting System	0.939	0.949
Business Strategy	0.858	0.889

According to Hair *et al* (2014 : 105) in case the develop is pronounced dependable on the off chance that it incorporates a composite unwavering quality esteem over 0.70 and Cronbach's alpha is over 0.70. From the yield over, it appears that all builds have a composite unwavering quality esteem over 0.70 and Cronbach's alpha over 0.70. So it can be concluded that the develop has great unwavering quality.

Structural Model Evaluation

	<i>R Square</i>	<i>R Square Adjusted</i>
Organizational Performance	0.646	0.635

According to Hair *et al* (2014 : 152) the adjusted square test was conducted to determine the magnitude of the variation of the dependent variable that can be explained by the remaining independent variables that cannot be explained which are part of the variation of other variables not included in the model. *R-Square* value > 0.50 indicates a moderate model. The results of the data show that the *R-Square* value for the organizational performance variable is 0.646, which means the model is moderate.

Hypothesis Test

Test criteria with a significance level of 5% for 1 -way test (influence positive / negative) is determined from the results of t table and t count, so the comparison can be seen as follows:

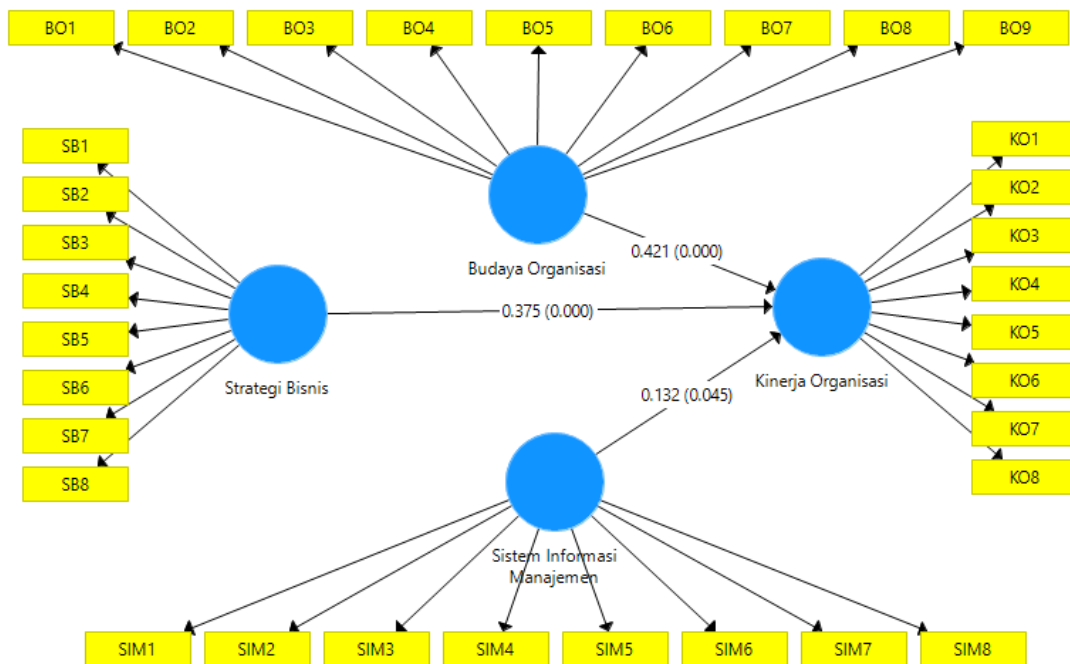
If t count > t table (1,64), then H0 is rejected and H1 is accepted

If t count < t table (1,64), then H0 is accepted and H1 is rejected

Meanwhile, to see the significant effect between the variables for test one direction can be seen in the following criteria:

If p . value < 0.05 then there is a significant effect

If p . value > 0.05 then the effect is not significant



The summary of the research hypothesis testing is shown below:

Relationship Between Variables	Original Sample Estimate	T Statistics (Nilai T)	P Value	Relationship Analysis
Organizational Culture - >	0.421	5.838	0.000	Take effect

Organizational Performance				
Usefulness of management accounting system -> Organizational Performance	0.132	1.699	0.045	Take effect
Business Strategy -> Organizational Performance	0.375	4.414	0.000	Take effect

- Organizational Culture has a direct and significant positive effect on organizational performance with a coefficient of 0.421 with a value of t stat = 5.838 > t table = 1.64 and the value of prob. value = 0.0000 < alpha = 0.05
- The usefulness of the management accounting system has a direct and positive significant to organizational performance with a coefficient of 0.132 with a value of t stat = 1.699 > t table = 1.64 and the value of prob. value = 0.045 < alpha = 0.05.
- Business Strategy has a direct and significant positive effect on organizational performance with a coefficient of 0.375 with a value of t stat = 4.414 > t table = 1.64 and the value of prob. value = 0.0000 < alpha = 0.05

CONCLUSION AND FURTHER RESEARCH

Based on the phenomenon, theory, problem formulation, and research results that have been carried out, it can be concluded that :

1. Organizational culture has a direct and significant positive effect on increasing organizational performance variables
2. Business strategy has a direct and significant positive effect on increasing organizational performance variables.
3. The usefulness of the management accounting system has a direct and significant positive effect on increasing organizational performance variables.

Further research:

1. This research is limited to a few variables, such as organizational culture, business strategy, the usefulness of the management accounting system as variables that affect organizational performance. Future research is expected to add other variables, such as motivation and job satisfaction.
2. This inquire about employments a study strategy, subsequently the impediments of this strategy are most likely characteristic in this ponder, for illustration confinements in getting am agent and fair-minded test. Assist investigate is anticipated to include inquire about strategies, such as coordinate interviews with respondents.
3. This study is supported by a relatively small sample of data, and this could possibly reduce the power of the statistical test. Therefore, future research is suggested to expand the sample data

4. The operational suggestions that researchers can provide for companies in particular, and academics in general are: organizational culture, business strategy, and the use of management accounting systems have a positive effect on organizational performance. Therefore, to improve organizational performance, things that must be considered are increasing employee motivation, developing leadership skills, providing higher quality products, utilizing technology as well as possible to increase company efficiency.

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