

# Review of the Effect of *Personal Factors* on Organizational Culture Implementation in Sme's in the City of Padang

Sulastri<sup>1</sup>, Yuki Fitria<sup>2</sup>, Chichi Andriani<sup>3</sup>

<sup>1, 2, 3</sup>Universitas Negeri Padang, Padang, Indonesia

Corresponding author. Email: sulastri.feunp@gmail.com

## ABSTRACT

The purpose of this study is to describe the personal factors of SME's in Padang that can influence the implementation of organizational culture in their businesses. The personal factors that will be explained in this study refer to the results of research from Sulastri, Yuki and Chichi (2020), namely; gender, age, educational background, length of business, marital status and total assets. The population in this study were all SME's under the guidance of the Cooperative and MSMEs Office in Padang, which totaled 2,953 MSMEs. Sampling using cluster area proportional sampling and purposive sampling methods, in order to obtain a total sample of 321 respondents. The data analysis technique used is descriptive qualitative namely; by describing data and the identity of the SME's owners who were respondents in the study. So from the results of the study it can be concluded that; individual characteristics in the form of; 1) gender, 2) age, 3) educational background, 4) long time running a business, 5) total assets and 6) marital status are the forming factors of organizational culture at SME's in Padang City.

**Keywords:** *Personal Factors, Organizational Culture*

## 1. INTRODUCTION

Globalization tightens business competition that it requires an important role of Human Resources (HR). Companies with ideal human resources will be able to strengthen their competitiveness. This shows that the quality of human resources highly determines the quality and the future of the company. Basically, the role of HR in an organization will be materialized through behavior reflected in the culture of the organization. When an organization possess a

strong culture, it will accordingly give impact to the organization's performance. Organizations with strong culture will affect the behavior and the effectiveness of employee's performance so as it is expected to run in accordance with the culture adopted by the organization. In addition, the application of culture in a company will as well shape the character of its employees in carrying out their duties and achieving the goals of the company (Wardani, *et al*, 2016).

Organizational culture comprises values which should be understood, imbedded, practiced together by all individuals or groups involved in it. Culture is related to how organizations build commitment to realize a vision, win the hearts of customers or stakeholders, win the competition, and build organizational strength. As found by Wirawan, 2007 in Sagita, *et al* (2018), organizational culture is the norms, values, assumptions, beliefs, philosophies, organizational habits, and so forth (the contents of organizational culture) developed over a long time by the founder, leaders, and organizational members, which socialized and taught to new members and applied in organizational activities so as to influence the mindset, attitudes, and behavior of organizational members in producing products, serving consumers, and achieving organizational goals.

Many previous studies have proven that a strong organizational culture could improve organizational performance. As stated by Tika (2006) in Sagita, *at el* (2018), organizational culture contributes to performance as it creates an extraordinary level of motivation for employees. Since basically one of the important roles of values in organizational culture on employee performance is the increasing of the work motivation of the employees themselves. Further, research conducted by Wirda and Azra (2007), discovered that performance is said to be adequate and successful as long as the desired goals could be achieved properly. Organizational culture influences performance both partially and simultaneously. Organizational culture can be the main competitive advantage instrument, when organizational culture supports organizational strategy and able to answer or overcome environmental challenges quickly and appropriately.

Majority of research on organizational culture focuses only on large-scale organizations such as BUMN, banking or medium-scale organizations and above. Specific research on modeling organizational culture for Micro, Small and Medium Enterprises (MSME) is still limited. Therefore, Sulastri and Zona (2017)

conducted a research on organizational culture at MSMEs in The City of Padang. Through the results of the study, it is discovered that SME's in the city of Padang tend to apply the *Clan* culture as its organizational culture. The *Clan* culture has a high focus and internal integration, yet tends to overlook the external problems, such as market and customers. Furthermore, the research also came across values inconsistent with the existing organizational dimensions. As it is known that the dominant characteristic of SME's organizational culture in Padang City is *Clan* culture, yet they show a tendency to use a leadership referring to hierarchical culture, while the success criteria referring to market culture. This obviously can cause confusion for members of the organization and cause conflict.

Looking up to the results of the research, it is necessary to undertake further research, to determine the factors influencing the inconsistency of the cultural values of SME's in Padang. Strengthening the organizational culture at SME's needs to be administered in order that SME's in the city of Padang could grow and develop properly. This can be supported by implementing a strong organizational culture at SME's, as organizational culture will develop the identity and characteristics of an organization and give influence on how employees view the organization, carry out responsibilities and have a commitment to the organization.

A strong organizational culture turns out to be an important and crucial issue for organizations to win the competition in the era of globalization. Robbins and Judge (2002) stated that a strong culture will hold a large influence on the behavior of organizational members in connection with the high level of togetherness and intensity creating an internal climate of high behavioral control. According to Jones, 2001 in Wirda and Arza (2007) organizational culture is a collection of values and norms controlling the interaction between members of the organization with other members and with people outside the organization.

Culture as a guide for behavior is grouped into three levels, which are: basic assumptions,

norms and values as well as artifacts or results (Schein, 2005); (Luthan & Doh, 2012). The basic assumption is a belief concerning human nature and the organizational environment and indicating the principle assumptions of the behavior which are implicit and hard to observe. Norms and values describe shared beliefs in the form of values and rules used to guide and regulate collective attitudes and behaviors and are relatively explicit and observable. Furthermore, artifacts and results are more explicit components and easy to be observed in the form of the material, symbol, or non-material such as language, creations and intention.

1.1. Dimensions of organizational culture

Cameron and Quinn (2011) have completed the formulation of the organizational culture dimensions which previously carried out by Quinn and Rohrbaugh, known as the *competing value framework* (CVF). CVF development is

conducted through the search for indicators determining organizational effectiveness. As a result, thirty-nine representative indicators which are comprehensively able to measure the effectiveness of the organization were found. Through a series of statistical analysis, these thirty nine indicators configured four primary dimensions namely; (1) *flexibility and direction*, (2) *stability and control*, (3) *internal force and integration*, (4) *external focus and differentiation*.

Furthermore, the four criteria used by Cameron and Quinn generate four quadrants and each explains the core values to be used by organizations to achieve effective organization. The four dimensions of organizational culture can be seen in Figure 1 below:

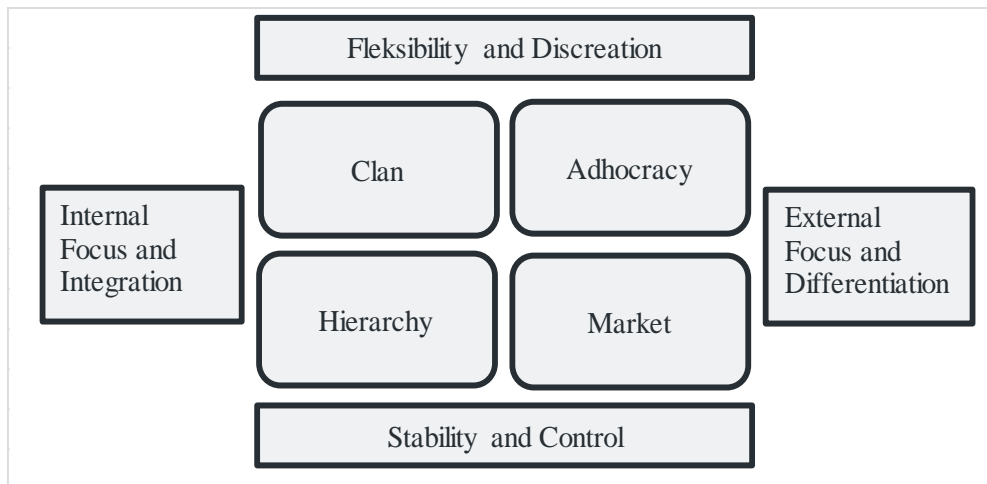


Figure 1. Dimensions of Organizational Culture (Cameron and Quinn, 2011)

Hierarchy organizational culture the assumption where the environment is relatively stable, tasks and functions can be integrated and well-coordinated, and the work is performed through the control of the employees. This condition requires clear lines of authority and responsibility, decision making and standardized work rules and procedures.

Next, the second dimension of the competing values framework (CVF) is an organizational culture based on the values of the market (the market culture) focusing on services and transactions of the external environment. The primary focus of the organization belong to this dimension is on the transactions in the form of exchanges, sales, purchases where each subject constructs a competitive advantage. Consequently,

profitability, net profit, market share, and customer satisfaction are the key objectives of the organization thus it is not surprising that the dominant core values of the organization are competition and productivity. Competitiveness and productivity are achieved through control and build a strong position in the external environment, especially competitors. The function of the organization is to provide more satisfaction to consumers compared to those provided by competitors. The fundamental task of management is to bring the organization to enhance product quality, to improve efficiency and increase sales and profitability through aggressive strategies in order to achieve productivity and profitability and to be oriented to high work results.

The third organizational culture dimension is the clan culture. Clan culture places more emphasis on organizations as extended families rather than economic entities, thus emphasizing relationships and hierarchy and involvement in programs through effective commitment. The characteristics of work has a propensity to be semi-autonomous allowing supervisors or leaders to have the authority and responsibility for the work of their employees. The reward system tended to be given collectively rather than individually, while the decision to hire or fire employee(s) depends on the leader of the company. The clan culture assumes the work environment needs to be managed together through team work and as a means to develop employee capabilities all at once.

Last dimension of organizational culture based on competing values framework (CVF) is the adhocracy culture. This cultural dimension considers the values of innovation and creativity to be the keys to success since the role of a company or organization in business is to develop products and services and to prepare a better future. Major task of management is to encourage entrepreneurship, creativity and innovation, through increased knowledge. Moreover, the ability to adapt to internal and external changes is also a factor for organizational effectiveness.

### *1.2. Factors influencing Organizational Culture*

Organizational culture is a pattern consisting of trusts and values passing meaning to members of a company, as well as rules for members to behave. Each company has its own meaning to the word culture itself. The meaning of organizational culture involves identity, ideology, ethos, culture, patterns, existence, rules, centers of interest, philosophy, goals, spirit, sources of information, style, vision, and ways.

The findings of the research by Sulastri and Zona (2016), states that the organizational culture applied in Padang for Micro, Small and Medium Companies (SME,s) generally is a culture *clan*, where the cultural dimensions of the *clan* have characteristics of; internal focus and high integration, however ignoring external issues such as markets and customers. The results of the study also found that there are values inconsistent with the existing organizational dimensions.

Then, Sulastri, Yuki and Chichi (2020) conducted a study to address the limitations of the research conducted previously which found that several factors cause the occurrence of inconsistent implementation of the organizational culture by the owner of SME's in the City of Padang. The results showed that the inconsistency in the implementation of organizational culture by SME's in Padang City were caused by a lack of knowledge regarding leadership towards organizational culture, owner leadership style, company's age (new), company's scale (small), low turnover, low educational background, the relatively young age of the company owner and not having legal status for their business.

## **2. METHODS**

The type of research used is a descriptive research. In this study, how the individual characteristics of the owners or leaders of SME's found in the city of Padang will be explained descriptively. These individual characteristics can ultimately influence how the formulation of organizational culture is applied to SME's in

Padang City. The individual characteristics that will further explained in this study refer to the results of research of Sulastri, Yuki and Chichi (2020), which are; gender, age, educational background, length of business, marital status and total assets.

The population in this study is the entire SME's under the guidance of Dinas Koperasi dan UMKM Kota Padang, amounting to 2,953 SME's. The sampling of this study is using the cluster area proportional sampling and purposive sampling methods. The sample is determined proportionally based on the sub-districts in Padang with the following criteria; 1) SME's with 3-5 employees, 2) SME's with assets of more than Rp. 10,000,000.-/year. Based on these criteria, a sample of 321 SME's was

obtained and spread across 11 districts of Padang City. Data collection in this study was carried out through distributing questionnaires to the owners of SME's that were sampled in the study. Furthermore, questionnaire measurements were carried out using an ordinal scale. Data analysis techniques in this study used qualitative descriptive analysis technique, by describing the data and identity of the SME's owner which the researcher obtained in the study.

**3. RESULT AND DISCUSSION**

Build upon the results of data processing and the identity of the owners of MSMEs in the city of Padang, through the distribution of questionnaires, description of research respondents was obtained as follows:

**Table 1.** Description of MSME

No	MSME Description	Item	Number of people	Percentage
1	Gender	Male	155	48%
		Female	166	52%
2	Age	<25 years	67	20%
		25-30 years	87	27%
		31 - 35 years old	45	14%
		36-40 years	122	39%
3	Educational background	Elementary school	6	1.8%
		Middle School	12	3.7%
		High school	154	47.9%
		D3	34	10.6%
		S1	114	35.5%
		S2	1	0.5%
4	Length of Business	15 years	157	48.9%
		6-10 years	103	32.08%
		11-15 years	22	6.85%
		16-20 years	12	3.7%
		> 20 years	27	8.47%
5	Total of Assets	<50 million	169	52.64%
		51 Million - 500 Million	129	40.18%
			23	7.18%
		501 Million - 10 billion		0%
6	Marital status	Married	226	70.40%
		Single	95	29.59%

Source: Results of study (2019)

Based on the results of the characteristics description of owners of MSMEs above, it can be seen that the MSMEs in this study have characteristics that vary. It prevails in the gender characteristics of MSMEs' owners. In the results of this study, 52% of MSME owner in Padang City were female. According to leadership theory, there are distinction of male leadership styles and female leadership styles. Basically females are more likely to be expected to provide motivation, support and guidance to the work of the employees compared with male who are expected to improve the company's performance. The results of this study also indicate that the level of ownership of MSMEs is more dominated by female according to conditions found internationally. As in America, 14.8% from 500 listed companies, the board of directors are woman (Catalyst 2007 in Hanani and Y Anni, 2011). The percentage of the board of directors in Australia is 8.7%, Canada 10.6%, Japan 0.4% and Europe 8.0% (Hanani and Y Anni, 2011). The role of women in the board of directors has been widely applied in several countries due to pressure to elect women as members of the board of directors. This has become a competitive advantage (Watson, et al. 1993 in Kartikarini and Siti) due to the ability of women to lead the company pretty well. According to Smith, Smith, and Verner (2006) in Sari and Bahtiar (2014) following three reasons for the importance of having a female director in an organization are:

1. Female leaders usually more comprehend of the state of the market compared to male
2. This comprehension will enhance better decisions for the organization.
3. The female leader will bring a better picture in society's perception of the company and this will make a positive contribution to the company's performance.

The second characteristic can be seen in terms of age. The majority of respondents are dominated by age 36-40 years (39%) meaning that most of the respondents who are MSME's owners are running

business in the productive age. The term age is defined as the length of a person's existence measured in units of time in terms of chronological facet, normal individuals showing the same degree of anatomical and physiological development (Nuswantari, 1998). Age is the length of time of life or existing (since birth or held) (Hoetomo, 2005). Age is an intrinsic factor believed to affect a company. Age differences will be related to the ability to process knowledge and skills (Plude and Hoyer in Jogiyanto, 2007). According to Sigit, 1989 in Nazaruddin (2016), age differences will have implications for the nature, appearance and performance of the organization. In general, young workers (productive age) have tendency to be more dynamic, energetic, mobile and easy to accept new ideas. Nevertheless, they are generally less determined and dedicated than older and relatively experienced workers.

While the characteristics of the educational background of the respondents were dominated by the educational background of the high school level (47.9%) and the Bachelor degree (35.5%). The quality of human resource can be observed from the level of education a person has which will ultimately affect the productivity of his/her work. As with this education someone has the asset to increase productivity in a job. Education is considered as a means to obtain high quality human resources, since it is capable of producing a high-quality workforce, as well as thinking and acting in a modern way. Entrepreneurship education could expose path to the success of business. By means of entrepreneurship education, the company is conducting the process of building the capacity of managers' absorption like; confidence, psychology, knowledge and skills.

According to Takahashi (2009), one of the success factors in small businesses is the level of owner's education, which can help businesses to survive and manage complex environments and maintain business profitability. Subsequently according to Andrew in Mangkunagara (2003) level of education is a long-term process using a systematic and organized procedure, where the

managerial employees studying conceptual and theoretical knowledge for general purposes. Thus the level of education of an employee will improve company's competitiveness and improve company's performance. Based on the results of this study, it can be concluded that the owners of SME's in Padang are considered to have knowledge in the field of SME's.

The total assets owned by SME's being respondents in this study (169 respondents) is below Rp.50 million (52.64%). This is in accordance with article 1 of MSME Law No. 20 of 2008 article 6 stated that the characteristics of MSME are owning total assets below Rp.50 million. Assets are economic facilities or resources owned by a company whose acquisition price or fair value must be measured objectively (Munawir, 2007). Assets owned by a company will affect the level of operating profit to be obtained, the increase in assets generally causes an increase in operating profits, yet this also depends on the company's ability to perform cost efficiency, and the ability to operate and manage the available assets.

The number of assets owned affects the performance of MSMEs. This is due to the higher business assets of MSME, the more sufficient capital the MSME hold that it will facilitate MSMEs in accessing capital resources which will later give impact to performance and MSME is certainly having the ease of developing their businesses. This is in line with research by Adomako & Danso (2014) which states that the availability of financial capital positively moderating the relationship between financial literacy and company's performance. Thus, the company's performance can be improved especially when resources are flexible and entrepreneurs can access the finance easily. The results also show that capital affect the performance of MSMEs in Padang.

Based on the characteristics of the length/duration of running a business, it can be seen that dominantly the respondents has been

operating within the range of 1-5 years, as many as 157 or 48.9% of respondents. Therefore, the majority of companies run by MSMEs in Padang City are still relatively new, that it is believed the owners have not been able to produce or form a strong organizational culture in their businesses.

As for marital status, SME's owners are generally married. According to Yunus (in Asmin 1986), marriage is aqad between prospective husbands and wives to fulfill their kinds of interests according to those governed by the Shari'a. According to Kaufman & Hotkiss (2006) if a person who has already get married, household is becoming an important consideration in deciding to accept a job that is available, whether the work is to meet the needs of the household or not. This could mean when the workforce is married, she/he has a greater probability to work compared to the workforce whose status is not married. The results of this study can also be interpreted that MSME owners in Padang build their businesses as a source of family income.

#### **4. CONCLUSION**

From the result of the research, it is obtained that the individual characteristics of; 1) gender 2) age, 3) educational background 4) length of business, 5) total assets and 6) marital status are factors forming the organizational culture of SME's in the city of Padang. This study also answers the weaknesses of previous research conducted by Sulastri and Zona (2017) that the cause of inconsistency in the application of organizational culture in Padang SME's is caused by the lack of leadership knowledge on organizational culture, company's owner leadership style, age of business (relatively new), small-scale companies, low turnover, low educational background, the age of company owners (relatively young) and the effect of not having legal status for their businesses.

## REFERENCES

- Adomako, S., & Danso, A. (2014). Financial Literacy and Firm performance: The moderating role of financial capital availability and resource flexibility. *International Journal of Management & Organizational Studies*, 3(4), pp; 1–15.
- Asmin. 1986. *Status Perkawinan Antar Agama*. Jakarta: PT. Dian Rakyat.
- Cameron, K. S. and Quinn, R. E. 2006. *Dianosing and Changing Organizational Culture; Based on Competing Values Framework*. United States of Amerika: Jossey-Bass A Wiley Imprint.
- Hanani, Famera dan Y Anni Aryani. 2011. Pengaruh Gender Dewan Komisaris, Gender Dewan direksi, dan Kepemilikan Manajerial Terhadap Kinerja Perusahaan. *Wahana*.Vol. 14, No.1.
- Hoetomo, 2005, *Upaya Pengawasan Dalam Meningkatkan Kinerja Karyawan*. Jakarta: Penerbit Andi.
- Jogiyanto, H.M. 2007. *Sistem Informasi Keperilakuan. Edisi Pertama*, Yogyakarta: Penerbit Andi.
- Kaufman, B. E. & Hotckiss j. L. (2006). *The Economics of Labor Markets*. Thomson : South Western
- Kartikarini, Nurrahmah dan Siti Mutmainah. 2013. Analisis Pengaruh Diversitas Gender terhadap Voluntary Corporate Governance Disclosure dalam Laporan Tahunan Perusahaan. *Diponegoro Journal of Accounting*. Vol. 2, No. 1.
- Luthans, F. and Doh, J. P. 2012. *International Management Culture, Strategy and Behavior*. Seventh Edition. Mc-Graw-Hill International Edition.
- Mangkunegara, 2011. *Manajemen Sumber Daya Manusia*. Jakarta: Bumi Aksara
- Munawir, (2007). *Analisa Laporan Keuangan, Edisi delapan*, Yogyakarta: Liberty.
- Nazaruddin Malik. 2016. *Dinamika Pasar Tenaga Kerja Indonesia*. Malang: Penerbit Universitas Muhammadiyah Malang.
- Nurwatun, 1998. *Dasar-Dasar Manajemen*. Cetakan kesembilan. Jakarta: Ghalia Indonesia.
- Robbins S.P. dan Judge. 2002. *Perilaku Organisasi*, Jakarta: Salemba Empat.
- Sagita, Alinvia Ayu. Susilo, Heru & Cahyo WS, Muhammad. 2018. Pengaruh Budaya Organisasi Terhadap Kinerja Karyawan Dengan Motivasi Kerja Sebagai Variabel Mediator (Studi Pada PT. Astra Internasional, Tbk-Toyota (Auto2000) Cabang Sutoyo Malang). *Jurnal Administrasi Bisnis (JAB)* Vol. 57 No.1. pp; 73-82.
- Sari, Derry Permata dan Bahtiar Usman. 2014. Pengaruh Board Structure dan Ownership Structure Terhadap Firm Performance pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. *E-Jurnal Manajemen*.Vol. 1, No. 2, pp; 44-69.
- Schein. 2004. *Organizational Culture and Leadershi* . 3<sup>rd</sup> edition. Jossey-Bass. A Wiley Imprint. [www.Josseybass.com](http://www.Josseybass.com).
- Sulastrri, Zona. Mega Asri. 2017. Pemetaan Budaya Organisasi UMKM di Kota Padang Berdasarkan Competiting Value Framework. Laporan Penelitian Madya. Universitas Negeri Padang.
- Takahashi, S. I. Y. (2009). Entrepreneurs as decisive human resources and business. Performance fo the Lao SMEs. *Chinese Business Review*, 8(7), pp; 29–47.
- Undang-Undang No.20 Tahun 2008. Tentang Usaha Mikro, Kecil dan Menengah.
- Wardani, Rodiathul Kusuma. Mukzam, M. Djudi & Mayowan, Yuniadi. 2016. Pengaruh Budaya Organisasi Terhadap Kinerja Karyawan (Studi Pada Karyawan PT. Karya



- Indah Buana Surabaya. *Jurnal Administrasi Bisnis (JAB)* Vol. 31 No. 1. pp; 58-65.
- Wirda, Fisla & Azra, Tuti. 2007. Pengaruh Budaya Organisasi terhadap Kinerja Karyawan Politeknik Negeri Padang. *Jurnal Ekonomi dan Bisnis* Vol.2 No.1. pp; 22-48.
- Sulastri. Yuki Fitria. Chichi Andriani. 2020. The Taxonomy of SME's Organizational Culture in Padang City Based on Competing Value Framework. *International Journal of Advanced Science and Technology* Vol.29 No.05. pp; 12230-12242.